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International

Japanese Red Army Faces International Pressure

OW2808234890 Tokyo THE DAILY YOMIURI in English 27 Aug 90 p 2—FOR OFFICIAL USE ONLY

[Text] Japanese Red Army terrorists will be driven into a tight corner as international antiterrorist efforts will be enhanced when East European nations join the Interpol next month, the National Police Agency [NPA] said Saturday. The Soviet Union, Czechoslovakia and Poland are expected to apply for membership in Interpol during its general meeting to be held in Ottawa at the end of September.

Japanese police authorities are hopeful that the participation of the three nations will strengthen international police efforts to crack down on terrorist activity. "We believe that the expanded international antiterrorist police system will be very effective in helping to corner the Japanese Red Army terrorists who are still active in the Middle East," the NPA spokesman said, "although we don't see any immediate plan to launch joint criminal investigations with East bloc police authorities."

In an effort to hide their travel routes, the Japanese Red Army terrorists often stop over at East European cities on their way to West Europe or the United States. Sometimes, they use these East European cities as way stations to pick up explosives, he added.

"The tighter antiterrorist network will certainly cut down on the activities of Japanese Red Army terrorists and will be extremely effective in enclosing them into a tight spot," he predicted.

"The Japanese Red Army terrorists had called themselves the forerunners of the international communism movement. Therefore, the participation of the Soviet Union in the Western police organization will certainly have a great symbolic significance," the spokesman said.

Currently, there are 150 countries represented in the 44-year-old organization, including Hungary, which joined in 1981 and Bulgaria, which became a member in 1989.

In the last few years, crimes related to drug trafficking and armed robberies have become serious social issues in the Soviet Union. To crack down on these criminal activities, the Soviets have concluded cooperation agreements with Western police authorities, including Britain and Canada. Until now, the Japanese police have never worked jointly with police authorities in Poland, Czechoslovakia or the Soviet Union.

In line with the liberalization of the three nation's economies, however, the NPA fears international criminal activities in general could increase in Eastern Europe and Japan.

Government Formulates Strategy for GATT Talks

OW2808231190 Tokyo THE DAILY YOMIURI in English 27 Aug 90 p 8—FOR OFFICIAL USE ONLY

[Text] The government is determined to try to prevent the nation's current import ban on rice from being scrapped in the General Agreement on Tariffs and Trade farm trade talks scheduled for this week in Geneva, government sources said Sunday. The Trade Negotiations Committee (TNC) of the GATT will meet Monday through Wednesday to resume discussions based on an agreement reached in the last round of talks calling for each member country to present a list of its farm trade barriers to the TNC.

In the last TNC meeting, which ended in late July, two key accords were reached with the aim of bringing the Uruguay Round of GATT talks for trade liberalization to a successful conclusion by the end of the year. Under one of two TNC agreements, each GATT member must submit a list of protectionist measures currently in force in farm trade no later than Oct. 1. The country-to-country lists of "trade-distorting measures" are intended to serve as basic data in working out specific GATT goals of phasing out barriers in agricultural trade. The other TNC accord calls for members to submit a timetable by Oct. 15 outlining concrete plans for reducing farm trade restrictions.

While accepting in principle the TNC talks schedule, the government firmly opposes the abolition of its trade controls concerning rice and residual import restrictions on 13 other farm products, including starch, dairy products and peanuts, the sources said.

With the goal of preventing the presentation of barrier-cutting offers from jeopardizing the nation's import controls on rice and the 13 other items, the sources said, Japanese delegates to the talks will make the following assertions, among others:

—The TNC should reconfirm the fact that Clause 2 of Article 11 of the GATT rules—which allows a country to restrict imports of products if it restricts domestic production of those items—does cover starch and dairy products, among others.

—The GATT rules should be revised to justify import restrictions on staple foods in line with the Japanese "food security" argument.

—There is no reason to assume, as has been the case in the TNC talks so far, that GATT members must employ a formula converting all forms of trade barriers into tariffs in working out steps to reduce those barriers.

MITI To Create Commercial Distribution Post

OW3108191790 Tokyo JIJI in English 1338 GMT 31 Aug 90—FOR OFFICIAL USE ONLY

[Text] Tokyo, Aug. 31 (JIJI PRESS)—The Ministry of International Trade and Industry (MITI) plans to establish a new post next fiscal year to beef up its adminsistrative work to handle the planning and execution of commerical distribution policy.

Curently, all aspects of commerical distribution policy are overseen by a single deputy director-general on the minister's secretariat. The new post of deputy director general will be responsible for policy implementation, MITI officials said Friday. In a separate move, MITI will revamp the four regional sections in its international trade policy bureau, officials said.

The Americas-Oceania division will be transformed into the Americas division due to the large amount of adminstrative work related to North and South America. Hereafter, New Zealand and Australia will fall under the South Asia-Pacific division.

The rapid progress in East-West detente prompted MITI to integrate the East and West Europe divisions. Currently Western Europe is paired with Africa and the Middle East, while East Europe is linked with South Asia. The new division will be named the Europe-Africa-Middle East division.

The Asian [word indistinct] will be redefined into the Southeast Asia-Pacific division and the Northwest Asia division from the current South and North Asia categories. The new divisions will provide a better administrative framework to deal with the rapidly expanding Asian Pacific economies, officials said.

Stronger Inspections for Imported Foods Planned

OW3108115690 Tokyo THE DAILY YOMIURI in English 30 Aug 90 p 2—FOR OFFICIAL USE ONLY

[Text] The Health and Welfare Ministry will strengthen inspection of foreign foods to prevent the import of foodstuffs containing a high level of agricultural chemicals and antibiotics, it was announced Tuesday. The ministry said that it will increase the number of food hygiene inspectors and improve the efficiency of the inspection system but in a way that will not become a structural impediment to imports.

Japan has now become the world's largest food importing nation, with 682,000 foreign food items worth Y4.26 trillion entering the country in 1989. However, the government inspected only about 24,000 imported food items in 1989, or 4 percent of Japan's annual food imports. The rest of the imported foodstuffs were distributed to markets nationwide, after routine examinations of import papers and voluntary sampling inspections by private organizations.

Consumer groups highly alarmed by the present safety inspection system, which they call "highly inefficient in detecting foodstuffs containing unauthorized food additives and foods contaminated with various bacterium, including cholera."

According to the ministry's plan, the number of imported foods safety inspection centers will be increased to 31 from the present 12 by 1991. New foods safety inspection offices will be added to the quarantine offices at Chitose, Sendai and Naha airports and quarantine offices at Tokyo, Harumi, Yokohama and Hon-moku piers.

Responding to a strong demand from the United States during the Japan-U.S. Structural Impediments Initiative talks, the number of the food hygiene inspectors will be more than doubled to 200 persons in 1992 from the present 89.

In an effort to effectively check the residual agricultural chemical and antibiotics contents in the imported foods, an Imported Foodstuffs Quarantine and Inspection Center will be created in Yokohama and Kobe, the ministry said. "At these centers we will also check the amount of radiation and food additives contained in the foods. We hope to increase the governmental inspection rate of the imported foodstuffs to 30 percent from the present 4 percent," a ministry spokesman said.

United States

* Discussion of Changing Relationship With U.S.

902B0156A Tokyo SHOKUN in Japanese May 90 pp 26-39—FOR OFFICIAL USE ONLY

[Dialogue between LDP Diet member, Shintaro Ishihara, and Aoyama Gakuin University professor, Kennichi Ito: "Is America Necessary for Japan?"]

[Excerpts] Trade friction and the Structural Impediments Initiative [SII] talks are only the prologue toward construction of a new Japan-U. S. relationship. This is the time when we should have another look at the Japan-U. S. security system itself, which is a product of the occupation and the Cold War.

Ito: Presently, in the Japan-U. S. relation, cracks are gradually deepening and scars are growing larger, and at last they are approaching a time when fundamental problems must be faced. Economic friction is widening and expanding into cultural friction, and it may finally turn into political and security friction.

It appears that the Cold War has died, and U.S.-Soviet relations have achieved a dramatic change in quality. Moreover, in Europe, with the phenomenon of a "unified Germany," the world continues to change radically. Japan, in such a situation, must, as in the latter days of the Tokugawa Shogunate, question what direction the nation and people should take in international society. However, looking at the last general election, this was

not an issue at all, from beginning to end discussions involved the consumption tax, the Recruit scandal, and "we will not import so much as a grain of rice" and "we are opposed to the abolition of the Large-Scale Retail Stores Law." When you look at this situation, I have the feeling it is not America, but it is Japan who is in a critical situation.

From this viewpoint, we must reinquire into and think about Japan-U. S. relations from the very foundation. Now, thanks to *The Japan That Can Say "No"* it seems like Ishihara has been made out to be—by far—the villain to Americans, but I have the feeling Ishihara's image can stand on its own. Ishihara is fundamentally an advocate with a serious view of Japan-U. S. relations. You said you greatly respect Mansfield (former ambassador to Japan).

Ishihara: I just love him (laughs). [in English]

Ito: He said, "For the world, there are no relations between two nations that are as important as Japan-U. S. relations." This is also Ishihara's motto. I want Americans not merely to emotionally refuse to accept Ishihara's views of America, but to think clearly about his reasoning and to have the generosity to listen.

Ishihara: This is, none the less, on account of the pirated version. In America, which protects the freedom of speech, the secretary of defense infringed on the copyright to this, construed it as he chose to, and intentionally distributed it. Moreover, since it is full of mistranslations and arbitrary deletions, this is really the lynching of speech. An official translation will be published next time, and when it is, I'm thinking of settling this tidily with the secretary of defense.

Era of Japan-U. S. Relations "Redefinition"

Ito: In Japan, the emotional resistance in regard to Mr. Karel van Wolferen and others' theories of Japan's different nature is strong. However, the Japanese, before giving it all they have to find fault in their assertations, from their criticisms will first try to take into consideration that which must be taken into consideration by what America is saying, and not decide beforehand, I think. The necessity of both the citizens of Japan and the United States to constructively think "How will we conduct future Japan-U. S. relations?" in that spirit has never been larger. However, the present trend is not going this way. In the future, with what kind of concept, with what kind of framework should we fundamentally conduct Japan-U. S. relations, placed in a different environment from the Cold War period? First of all, this should be thoroughly and fundamentally discussed between the leaders and knowledgeable persons of both countries. Haven't we come to such a period as this?

Ishihara: Japan-U.S. relations have come to a redefining period. If you say what kind of redefinition, first of all, we will start this only from the recognition of our mutual differences. From there, there should be a redefinition, including problems of the [Japan-U.S.] Security Treaty.

Ito: When you talk of changes now taking place in the Soviet Union, they may be very substantial changes. As for Japan-U.S. relations, which seem to have been built on the major premise of the "Soviet threat," redefinition has become necessary if only because of this. This does not mean do this right away, but in the long-range vision looking at the 21st century, it would be good to cut off the Japan-U.S. security system at about "emergency aid." But Ishihara goes beyond this and takes the position that the security treaty is unnecessary to begin with.

Ishihara: I'm not saying that at all. Merely, because the security treaty is a completely unilateral treaty, I'm thinking it would be good to make it bilateral. For example, if an emergency arose in Japan, it is not completely spelled out in the provisions—either qualitatively or quantitatively—"What kind of deployment will America provide?" I'm thinking it would be good if we spelled this out and, further, reviewed it annually.

This is not a very well known fact, but according to Pentagon reports, America's war strategy would not exist if it had no bases in Japan. West, beyond Hawaii, through the Indian Ocean to Capetown, the world's number one task force, the 7th Fleet, uses Japan as a base for cover. As for Korea and Germany, for the time for negotiations with America, by their method of calculation, they figure in the costs of base usage by the U.S. military in their own country. In addition, Korea and West Germany, due to the U.S. military presence, offset their own countries' strategic effect and the remainder is indicated to America by the sum of this measure. Japan doesn't do this thing at all. America afterwards calculates the cost of base usage of Japan which is 900 billion yen yearly. There are 105 facilities and the land value of the U.S. military bases, amounting to 325 square kilometers is, in reality, 10 trillion yen. Japan has been negotiating with America without these calculations. Moreover, they designate this a "consideration budget"—just like it is called by America—and when Prime Minister Kaifu and former Minister of Finance Miyazawa visited the United States, they said, "We will think constructively." In the first place, Japan is a creditor nation. Even though Japan is in a position to say, "You also study a rational arms reduction!" with the "consideration budget"—just like it is called by America—if it were to bear the salaries of employees of the U.S. military in Japan, it would amount to 900 billion yen. Is there such a ridiculous thing as this? This is also one kind of unilateralness.

Also, as for the problem of NLP (night landing practice), even though Japan is demanding that it wants to move the [USS] Midway homeport to Sasebo [Navy Base] and is seeking to entice them by giving them an island of the Goto Archipelego, the Americans have not moved on this. As for why, for America, having bases like Yokota [AFB], Zama [Army Camp] and Atsugi [Naval Air Station] surrounding the capitol of Japan is a very important thing, isn't it? In sum, as for this restraint towards Japan, because America has the judgment, anyhow, that war will not happen, there is, rather,

significance in conducting landing practice of carrier-borne aircraft in Atsugi, they are thinking. Because Japan cannot move when the time comes to say "It's an emergency," it cannot help but comply with the requests of the United States. Neither the Japanese Government nor the Japanese people know completely this real state of affairs. Therefore, America will absolutely not go to Sasebo. This may not have any relationship to the provisions in the security treaty, but this is one kind of unilateralness.

If I were the governor of the City of Tokyo, I would act together with Saitama [Prefecture's] Governor Hata and Kanagawa [Prefecture's] Governor Hagasu and insist, "Return the bases!" Presently, Narita International Airport is a deadend and they can say, "A new airport for civilian aircraft is necessary and the return of the bases would also benefit the entire world." This is also a new security era and, as far as what I've said, America's politicians are also saying, "That's good. We have also been trying to reduce arms. Let's do it!"

Therefore, it is necessary to make Japan-U.S. security a bilateral treaty.

Ito: What is making it bilateral? Is it, in the event of an American crisis, Japan also being mobilized?

Ishihara: Aren't the present Self-Defense Forces for this? In particular, Japan's naval power is entirely to benefit America and you cannot possibly say that the Maritime Self-Defense Force exists for Japan's defense. They participated in the "Rim-Pac" [naval exercise] and were designated, under American leadership, to handle crises. In short, the Self-Defense Forces are no more than a division of America's great military corps. Therefore, we have to dissolve this unilateralness.

Are the U.S. Military Forces in Japan Necessary for Japan?

Ito: In the future, we must understand that Japan's Self-Defense Forces are one body with the U.S. military, and the Self-Defense Forces are not at all able to have a separate significant defense strategy. As we enter the post Cold War period, America's national benefits and Japan's national benefits will not necessarily agree in each and every situation. Next time, a proposal of "What Japan-U.S. Cooperation Ought To Be" will be made from Japan's International Forum, but a point that may become the only subject of attention is that there is a sentence which says, "In regard to Japan's homeland defense and its border defense, Japan will not rely on America, but should take more responsibility." This ability is not in the present Self-Defense Forces.

Ishihara: For America, more than for me, this is a stinging matter, isn't it? (laughs)

Ito: With the statement "Let's cooperate with America on strategic points," a proposed balance is being struck. A Japan as an independent superpower that tears asunder the security pact in East Asia and the Western Pacific and walks away will cause concern in each nation and, even for Japan, this is ultimately no good. In the end, there is the necessity for it to continue to stick to its fundamental strategic cooperation system with America.

However, as has been noted before, the matter of whether it is necessary to have, on such a large scale, the U.S. military in Zama, Yokota, and Yokosuka [Navy Base] may become a future problem. In the long-term, like the U.S. military in Europe gradually pulling out, with the aim of military reduction and withdrawal in Asia and Japan, the necessity of reconsidering, from the fundamentals, the Japan-U.S. security system might come about.

Ishihara: For example, there is little advantage, even for America, in keeping Yokota Air Force Base. It is a sort of entrusted sovereign territory, used chiefly for moving American VIP's, and Japan's air traffic control is not at all understood by them. [passage omitted]

In Japan, it is absolute heresy to say, "liberalization of rice" or "the return of the U.S. military bases" and I am called a "dangerous fellow" by others. Those who should be saying this might be, by nature, rather, the Socialist Party, and why don't they? I'd like them to say this because even now it is not too late.

In addition to this, the U.S. military's ammunition storehouse in Chibana (Okinawa) is the world's largest, including the Soviet Union, and Okinawa's Kadena [AF] base is one of the world's first-class bases, and Clark and Subic in the Philippines are not at all comparable. No Japanese person will say that these facilities truly are a necessary thing in the future and beyond.

Ito: The bases of Okinawa, from after the defeat in August 1945, remain to this day like fossils irrelevant to all the changes in world affairs. This should be put in order.

Ishihara: Indeed, Okinawa is an economic problem and this won't be done simply, will it? Long ago, I was shown an editorial from the 14 August 1945 NEW YORK TIMES by Tsuyoshi Muramatsu. An editorial comic was in it. A spooky-looking monster had its gaping mouth open and a GI was yanking out a fang with a pair of pliers. "Even if it takes forever, we must continue to thoroughly dismantle the Japanese monster"—was the message. At that time there was intended to a permanent occupation, and in some sense this is connected with the revisionist way of thinking. America had to dismantle Japan and for this they gave us the Japanese Constitution. Japan has kept this Constitution for 40 years without changing it. [passage omitted] Especially, in the area of national defense, Japan could not help but have had an obsession which viewed protection of one's homeland as unlawful and criminal. Therefore, without emotional independence, Japan is becoming a country that does just what America says. As for America, it fears that if Japan becomes emotionally independent, it might become a full-fledged nation economically, but even without this it has achieved shocking growth, more than

could be imagined. Therefore, when you say to U.S. congressmen, "If you ask what has been responsible for making Japan what it is today, it is America's lack of foresightedness. Without knowing the greatness of Japan's different culture, simply because you looked at this negatively and only negatively, the present Japan exists," there is no answer. U. S. congressmen are also inferior, I think.

Japan-U.S. Security Is a Completely Unilateral Treaty

Ito: The Japan-U.S. Security Treaty is a completely unilateral treaty. Although America must come to its aid in the event of an emergency in Japan, it is okay if Japan doesn't come to help in the event of an emergency in America. This is an impossibility due to the Japanese Constitution. There is no other country at all that has such an advantageous alliance like this. (laughs)

Since America imposed such a distorted constitution, it must comply with even a unilateral treaty. Simply put, as America enters the post-Cold War period, will it continuously try to support this treaty? Especially, in the case of Japan-U.S. relations, starting from the economic aspect and worsening into cultural and political areas, there are doubts as to whether America will try to maintain the Japan-U.S. Security Treaty. At that time, as one option that Japan could take, it could accept Japan-U.S. cracks, but I want to ask Ishihara whether he is concerned with that.

As for me, the alienation of Japan and the United States is, for Japan, the worst scenario. [passage omitted] This could, as Ishihara has said, result in making the Japan-U.S. security system into a bilateral treaty system. [passage omitted] Lastly, the security guarantee will continue, but in the future, if we develop Japan's Self-Defense Forces' military power into a completely independently effective force so that it is entirely capable of protecting our territorial and home waters, then the necessity of having the U.S. military stationed in Japan will disappear. For America, this might not be good based on its national interest, but for the Japanese, it might be examined as to whether or not the stationing of the U.S. military is truly needed.

Ishihara: This is considerably more radical than my statements. (laughs) However, the security treaty is truly a unilateral treaty, and as long as it is in place, ultimately, the U.S. military, for Japan, will have hostage implications. In order to feed this hostage, like I said before, Japan is making considerable economic outlays. It would be better if we had them pay for the use of being stationed in Japan.

As this premise, there are two problems that must be taken up. In opposition to our desire or real demand to make the unilateralness of the security treaty into multilateralness, the restriction of the present Constitution as a peace Constitution is a completely contradictory matter. Now, that contradiction has clearly come out. Thinking of new Japan-U.S. relations based on this is the first problem.

The second problem is the Soviet military presence (military threat). The Soviet Union in the future, even if it cannot help but decline as a nuclear power because of a deterioration of its electrical engineering ability, can still act with a military presence through its conventional military forces. In this scenario there is the possibility of a nationality problem arising like in Azerbaijan, and in the case of the Soviet-Sino border dispute. There are about three cases like this. Because this is a problem which extends to national borders, the Soviet Union, with this pretext, once again can bring about strained relations between itself and China.

Ito: Looking at the Soviet Union over the long term, it appears the level of chaos will deepen. Gorbachev is introducing the presidential system and as for the matter of appointing himself as president, at a glance it seems as if he is building a system for problem-solving, but, in reality, it is nothing more than returning to Russia's traditional problem-solving method. In a word, it is a return to a "rule by power." Today, the "rule by power" reign is confronting a most inopportune period. The Soviet Union, regardless of the introduction of a presidential system is, on the contrary, because of this [reliance] promoting economic and racial disorder, making it more serious, and it is experiencing many complications and ultimately may be heading towards the "Great Fall of the Soviet Empire." As for the matter of Gorbachev having carried out his part in history, ultimately, it may not be the "rebuilding of the Soviet Union," but it may turn out to be the matter of "dissolving the Soviet Union." [passage omitted]

Ishihara: Can you think of a case where it would use the military on a rather large-scale within their own country? If the Soviet Union exercises military power within its own borders, America may not complain at all.

Ito: If we separate the use of military force towards the three Baltic nations, America may not say anything. This is because America desires to strengthen Gorbachev's internal power base which is building the U.S.-Soviet cooperation system. Now, as for the matter of Gorbachev having introduced the presidential system, this has built up an organization for using military power within the Soviet Union. However, if you ask whether it will solve problems if they use military power, on the contrary, it will only mean more serious internal discord and opposition. The Soviet Union under the presidential system of Gorbachev is in the situation of "the tiger at the front gate, the wolf at the back gate," and is busily occupied by internal problems like Russia in the last days of czarist rule, and may gradually lose its power for international influence.

Amidst that, for Japan, this will become a matter that will bring about negotiating elbow room with the United States, but it will simultaneously bring about negotiating elbow room for the United States. And because we will be groping for a new Japan-U.S. relationship, those people who can see the larger picture from a large historical perspective must paint a grand strategy. When

a short-tempered person, like Matsuoka, is sold on an idea and dashes off, there is the fear of running towards catastrophe.

Ishihara: Amidst this one kind of detente, it may seem contradictory, but certainly America is increasing its negotiating capacity with Japan and you can say Japan has also raised its negotiating capacity with America. However, if you were to ask which one this is more advantageous for, in the current state of affairs, we can say it is more advantageous for Japan, I think. In a word, this means that Japan can now say, "It is fine if we no longer have the U.S. military stationed in Japan." However, likewise, this way of expressing this is unpleasant and we should suggest a new Japan-U.S. security system of a form that will make the United States hostage like it is in Germany.

Is the Japan-U.S. Security System a "Trojan Horse?"

Ito: When a common enemy, the Soviet Union, is pressing outside the castle gates of "Japan and America," certainly the U.S. military forces in Japan might be considered, for Japan, a "hostage," but if that enemy were to leave for the far north, the U.S. military forces in Japan could also become the "Trojan Horse" for Japan.

Ishihara: No, America, nevertheless, as a nation will go on holding on to its vanity. While it continues to say detente, America will go on saying to the end, "We can't trust the Soviet Union. It is evil." America saying, "We will pretend like we believe you," is another diplomatic tactic. In this sense, I think we should again make America Japan's hostage. In this regard, there is a noteworthy essay, "If I Were the Person Responsible for Soviet Diplomacy Towards Japan," (Koichiro Asami/ "Josui Society Report") that has created a sensation. The gist is that because the Soviet Union has nothing to lose, the author suggests that it will propose to Japan: first, that an evaluation of the three nonnuclear principles shows that Japan is holding fast to them, and if it were to force America to remove its strategic bases from Japan, the Soviet Union will reduce its nuclear weapons as far west as Lake Baikal. Simultaneously, whatever may happen, Japan's defense system is based on conventional arms and the Soviet Union—as a nation with common sense—will recognize this. If these conditions are met, they will return the four northern islands to Japan—this is the import of the essay. [passage omitted]

Ito: If you were to say that "based on the three nonnuclear principles and Japan's removal of America's strategic bases, the Soviets will recognize Japan's maintaining of conventional arms and return the Northern Territories," I think this would be a proposal we could comply with. This is "new thinking" at the end of the Cold War period.

Even if the Soviet Union's nuclear forces are moved west of Lake Baikal, they can again be quickly deployed east of Lake Baikal, so this does not appear to be very significant; but if it definitely means the return of the four northern islands Japan will go along with that proposal. However, as for America's "nuclear umbrella," Japan is being protected because there are American nuclear weapons, but it is a conceptual thing. Consequently, if there is creativity in the alliance between Japan and the United States, in reality, it is the same wherever nuclear weapons exist.

Ishihara: That is wrong, I think. In the past, when I visited America's SAC [Strategic Air Command] and NORAD [North American Air Defense] and said to the commanding officer, "After seeing this, I perceive that the 'nuclear umbrella' deterrent is only 50 percent," he replied, "Isn't that natural?"

As for America's strategic bases, for example, NORAD—which is the "North American Aerospace Defense Command" [name given in English]—Canadian officers are only liaison officers. America has a tradition of the Monroe Doctrine and "We don't want to become involved in any nuclear war" is its real intention. In particular, since America dropped atomic bombs on Japan and, thus they know what a tragedy it is, they—in principle—will only counterattack. A first attack will never start from America. In short, it is concentrating all its power on how to accurately strike down a first strike from its opponent. Moreover, in order not to get involved in war, it employs a system which discriminates, with a four-stage process, deciding whether or not an enemy first strike is clearly an "act of hostility." Even if Japan was attacked by a nuclear strike, the United States cannot recognize that "a nuclear strike against Japan has been initiatied" until nuclear bombs fall on Japan. In short it will absolutely not launch a nuclear strike when the warheads are streaking toward Japan even knowing that Japan does not have the capability. Only after the nuclear bombs have fallen on Japan will it launch a counterattack. However, because—unlike America—Japan would be annihilated by three hydrogen bombs, this is fatal. This is why I said, "The 'nuclear umbrella' deterrent of the is not 100 percent."

Ito: America's strategic nuclear strike posture is not "launch upon warning" [in English] (attack if it looks like we will be attacked), but is "launch under attack" [in English] (retaliate with your surviving military might). Therefore, as far as defenselessness against a first strike is concernged, it does not matter whether it is Japan or the U. S. homeland. Even with "launch under attack," there is the problem of the survivability of second strike capability. This means the matter of both the United States and the Soviet Union launching a first strike has become an impossibility with the actual options available. In reality, America was not able to use nuclear weapons in Vietnam, nor were the Soviets in Afghanistan. [passage omitted] The political minus based on the use of nuclear weapons is far and away greater than the military plus based on the use of nuclear weapons.

In addition to Ishihara's military reckoning, the "nuclear umbrella" deterrent might be conceived as fifty-fifty, but when you put in political calculations, nuclear weapons

are unusuable weapons. Therefore, under the three non-nuclear principles, nuclear weapons already do not exist on the Japanese homeland and, further, even if we were to eliminate platforms (ships and aircraft with nuclear weapon-carrying potential) which might have nuclear weapons, with this reasoning the question of Japan's safety will not arise again.

The problem is that if a U.S. withdrawal is demanded from Japan alone, it will mean the loss of its strategic global frontline bases. Therefore, if, as in New Zealand, something like an "actual implementation of a nonnuclear declaration" were to occur in Japan, America would not be able to adjust to this strategic change, and this might seriously affect its allied relationship with Japan.

"Racial Prejudice" Is a Certainty

Ito: And how should we perceive the future "alliance with America"? The matter of "receiving protection from America in time of emergency" has, up to now, been at the forefront of the importance of the Japan-U.S. alliance, but what will become of future Japan-U.S. relations?

Presently, the Soviet military threat exists, I think, but it has changed substantially. In response to this, the "security treaty" as the center of the Japan-U.S. allied relationship has reached the point where revisions are necessary. In both America's saying that "Japan is a free rider" and Japan's saying "We are free to cut our ties with America and join hands with the Soviet Union" there are errors in the fundamental understanding of the world situation. Amidst the developments of the present end of the Cold War situation, America should understand that the security treaty free rider is gradually becoming America and not Japan. Even if Japan transfers its security relationship from America to the Soviet Union, the Soviet Union will not welcome such a move.

However, the most recent American manner of resistance against Japan is extraordinary. Whether or not this is hysterics, it is not the dispassionate treatment towards an "equal" partner. I am an advocate of the Japan-U.S. alliance, but looking at the reaction in regard to Ishihara's *The Japan That Can Say "No"*....

Ishihara: Hysteria, isn't it?

Ito: Ultimately, they can't help but feel that Japan-U.S. relations are not "equal."

Ishihara: America obviously is racially prejudiced against Japanese. For example, former Commerce Secretary Peterson recently said, "There was no uproar when an Australian company purchased MGM, there was a large problem when Sony bought Columbia. England, Holland, and Canada have greater investments in American than Japan, but when Japanese invest, it becomes a problem. This is clearly racial prejudice. For Americans, the Japanese are extraterrestrials."

Ito: Throughout the world, there is no race, no people that is not racially prejudiced. However, before we talk about America's racial prejudice, I would like to say one word, that "we Japanese also have racial prejudices," and I think it should have been said that "you Americans are also prejudiced and the point of your spear is pointed in the direction of Japan, isn't it?"

Ishihara: That is true. I added this in my book and even though I was trying to publish it, it was arbitrarily mistranslated before I could get it published—and yet for all that, because it is full of mistranslations, an uproar arose.

Amidst this uproar, an interesting thing is that a famous newscaster from one of America's big three networks asked me about racism. I answered, "I am a friend of blacks, Hispanics, and Italians in America, and when I asked those friends whether I had touched upon an American taboo in the book, they all said, 'You certainly touched upon a taboo—however what you say is correct.'" The newscaster was silent, but what impressed me was that at that time, two black staff members who were in the room where this was being covered grinned and—behind the newscaster's back—gave me a thumbs up. [passage omitted]

Ito: Americans reacting toward foreign countries and foreigners and even to their fellow Americans, in regard to those weaker than themselves, do not say "Let's protect them because they are weak," but rather say "Let's torment the weak!" In immigrant nations, the groups who come afterwards always—even while they are being tormented—have come to fight for their own footing. Looking at the history of relations of whites and blacks in America, this history can be understood. When blacks, in their civil rights movement publicly stood up and in a sense said "No," (laughs), for the first time whites had the feeling that they had to recognize the status of blacks. Japan cannot be silent so in this sense, Ishihara has been very brave. There has only been a problem of how he said it.

Ishihara: I know. [passage omitted]

"Please, Forsake Japan!"

Ito: Americans have their own differing opinions and, for example, even regarding Ishihara's book, everyone is not opposed to it. Here we see America's big heart, and because of this Japan is able to associate with this great nation across the Pacific. Even looking at things over the long-range, America's national strength, as the world's number one power, will continue on even into the 21st century. Japan, after all, cannot argue with this.

Ishihara: There is no need to fight, is there? This is because it is easier with Japan as "The strong number 2," [in English] isn't it?

Well, three years ago I went to Washington immediately after the sanction resolution against Japanese semiconductors. I attended a certain senator's party and a

columnist in conversation stated, "With the present global-scale revolution, a power shift has occurred and the United States and the Soviets may swiftly become close. At that time, if Japan were to continue to take the attitude it presently does, we could abandon Japan at any time." Therefore—with "a tit for a tat"—I repeated, "Please, abandon Japan!" Then I said, "However, if you do, and if we sell Japanese semiconductors to the Soviet Union with a free hand, wouldn't America be in a bind?" He became silent. The "understanding towards Japan" of Americans who criticize Japan is on that level.

In January of this year, when I talked to Gephardt of the anti-Japanese hard-line group, he nodded and said, "If I had been in your place I would have done the same thing." Nowadays, the rhetoric of America seems to say that Japan is a more dangerous enemy than the Soviet Union. But when I said, "You say enemy?! It's troubling to confuse military expansion competition with economic rivalry," he understood this. Amidst the debate of the comgressmen, I said, "The barriers regarding Japanese trade certainly are unfair, however, America should exert itself" and "It would be a good thing to make use of the "Young Report" which presents concrete measures which should compensate for future American industrial shortcomings and MIT's *Made in America—Proposals for Revival.*" But to my surprise, many congressmen have not read these. The American politicians and managers who don't give a damn towards these kinds of suggestions are worse than those of Japan, aren't they?

Ito: To have fallen into "giving tit for a tat" is to be caught in the other's trap, I think.

Ishihara: No, there is also the consideration of knowing you have been taken in. However, even saying that, an amazing American characteristic is that even if there are not cooperative relations between the government and industry, there is a recovery (return to life) trend in which each industry is separately struggling. Cummins, Caterpiller, etc.—large industries which temporarily went into a slump—by suddenly changing their conceptions, have instantly recovered. In the matter of the adaptability of industries such as these, America's capability is much higher than Japan's. For example, although the aviation industrial world is extremely competitive, the matter of sales increases in the industry itself are because they have come to be able to book (make reservations) whenever the customer desires. When there is overbooking, they auction [seats] with incentives. Furthermore, even though America's domestic flights are first class, the housekeeping is not exactly up to par. However, its mishap rate has been coming down and, in short, they have converted to emphasizing maintenance into the amount of energy they pour into cleaning. This dynamism of America to discard things and pursue drastic rationalism is amazing. The Japanese absolutely cannot make light of this.

With the present expansion of Japan's industries and the economic province of industries which will widen globally, team players have become necessary and Japan's unique character will come into play. In individualistic America and Europe, they are weak in this. Like [Peter F.] Drucker says, because "engineering is, to the very end, being contained by management," if America tunes in and earnestly grapples with this, in a split-second America's economy will rebound. However, Americans should have a little more realization of the meaning of "If Japan loses America, at the same time, America loses Japan."

Ito: If that understanding is not there, Japan-U.S. negotiations will become derailed. [passage omitted] Once we start afresh in Japan-U.S. relations, it will be necessary to create a "new Japan-U.S. relationship" based on the new state of affairs.

Amidst the situation of the U.S.-Soviet confrontation of 1951 and the East-West Cold War, the fundmental framework of the Japan-U.S. security system was built, and this has continued to the present. But once you break this, can't you construct—using the keyword of "equality"—a basic relationship which should have Japan and the United States under a new international environment of the end of the Cold War period? In 1951, Japan and the United States were not equal. However now, in every aspect, "equality" is being demanded of both countries and as a result, Japan must change from only taking to give and take. The system in 1951, for both Japan and the United States, was an unequal relationship, but for Japan, it was a good period, on in which they only had to take. However, now the Japanese must foster the mentality of giving. [passage omitted]

"Outside Pressure" by Non-Caucasians After 500 Years.

Ishihara: Talking about this situation, for Europe, as well as for its Caucasian American descendants who run America, historically this situation is a new "experience after a long time." For America, this could be a first experience event.

Ito: For Europeans, since the Reconquista [Spanish] of 1492, in reality, this is "outside pressure" by foreigners, 500 years since they last experienced it. In 1492, due to the fall of Granada, they finally drove out, from the Iberian Peninsula, the influence of Islam which had invaded Europe. Europe, until then, continually suffered from outside pressure and it learned to adjust to the challenge from outside. However, the Europe since the Reconquista became the master of the world and, even though there was World War I, World War II, and internal European wars, it received no challenge from powers which were outside the European world. The challenge which emerged was because of the post-World War II United States and Soviet Union confrontation. However, the United States and the Soviet Union are imitators of Europe, the real "outside pressure" is present-day Japan and, after that, NIE's [newly industrializing economies] and ASEAN of the Asian Pacific [region]. The historical state of affairs in the world continues to progress.

Ishihara: NIE's and ASEAN are also related to the problem of Japan, aren't they?

Ito: That is true. Therefore, the present-day Japanese problem is truly a serious problem, the Europeans and the Americans cannot shake off the fixed concept that "an inferior has risen up in the world with unfair means." Nevertheless, the nations of Europe and America should face up to their problems. However, we have also come to think this.

Ishihara: This is because we do not give America and Europe a convenient excuse, but it would be better if we made fair conditions which could not be complained about. For example, the present SII problems have become more dispassionate, and we should negotiate after ascertaining "What does America desire, by what time span, and what degree of volume is it expecting?" I think. the U.S. Congress, with the SII talks, is saying Japan—overall—capitulated, but we should move on without becoming misguided by that matter.

In Japan, also, the era of individualism has come and, in addition to once having achieved the national goal—since the Meiji Restoration—of "Catch up to the West, overtake the West!" later "the enrichment of social overhead capital" and "the advancement of the life of the individual" may be our future consideration. According to data from the Economic Planning Agency, in Tokyo consumer goods are 40 percent higher in comparison to New York and, depending on the goods, are sometimes twice as expensive. [passage omitted] As for the industries of Japan, including agriculture, their competitive power is high. Therefore, in the future, we should think of the lessening of the burden to consumers and taxpayers. Also, as for the "*dango* problem" of the construction trade as presented in the present SII talks, just because the U.S. construction industry enters the Japanese market does not mean that all the roads will have to be rebuilt. We should cope with the post-liberalization problems after they emerge. On that point, the other day I was asked by an American "What do the Japanese taxpayers think?" and I was unable to give an answer.

Ito: Japan's present politicians are among the worst in the world. They represent only local or special industries and there are almost no politicians who have a far-sighted national economic policy. Historically the bureaucrats have coped with it, but now the bureaucrats cannot deal with it.

Ishihara: Three groups—government officials, the industrial world, and the somewhat cliquish politicians collude together and are hurting the consumers and taxpayers.

Ito: As many as about 11,000 bureaucrats hold permit authority, and are intent on protecting themselves. When you talk of American demands in the Japan-U.S. SII talks, it was all about the Japanese willingly have to do this in order for the benefit of the Japanese themselves. But Japanese bureaucrats responses of "That is also impossible" and "This is also difficult" show they have lost their innovativeness and feeling of mission and are reverting into the status quo parasitic influence life the Soviet nomenklatura [nomenclature] of the Brezhnev era. If this is so, even as the Soviet Union has adopted perestroyka, Japan must also destroy the present bureaucratic system, shouldn't it? In order to do that the politicians will have to resolutely exhibit leadership, but indeed, in Japan's present politicians, this does not appear to be possible. Japanese give the criticism that "America's managers are the short-term response type," but in Japan, aren't the bureaucrats and politicians who rule the government the "short-term response type"? Before being concerned with America, they should worry about their own country, but is this possible for the politicians?

Ishihara: You can be sure because a former politician is saying this (laughs). No, in reality, this is true. A domestic national goal has nearly been achieved. The bureaucratic system which Toshimichi Okubo built cannot respond to the present era. Already, those government offices have exceeded their useful lives. The politicians are responsible for giving instructions to build a new road.

Also, because of this, Japan must have a global view. This is in no way impudent. If Japan is able to have a global view, neither foreigners nor the Japanese should look on it as "the Advent of the Greater East Asia Co-Prosperity Sphere" or "a return to the 1930's." Truly this is shameful. It is a lack of historical imaginative power.

* Mitsui Director Explains Investment in Unisys

902A0235A Tokyo NIHON KEIZAI SHIMBUN in Japanese 10 Jul 90 p 3—FOR OFFICIAL USE ONLY

[Interview with Kazutami Ishiguri, director, Mitsui Bussan; place, date and interviewer not given]

[Text] **Looking Toward a New Russian Market**

Mitsui Trading Co. has decided to invest as a joint venture partner in Unisys, the third largest computer maker in the United States. As a stockholder in Unisys, Mitsui will now become a partner in a world marketing strategy with Unisys. Kazutami Ishiguri, managing director of Mitsui's machinery division, was asked why his company is increasing its stake in their joint venture partner at a time when Unisys is losing ground in the increasingly competitive general computer market.

[NIHON KEIZAI SHIMBUN] What kind of cooperative role do you see now for Mitsui in regard to Unisys?

[Ishiguri] First, we will provide support in terms of marketing and investment for the new computer markets of Central America and Southeast Asia, regions where we have much experience, gained through our on-site operations and personnel. Thus, we will be able to form

a marketing company from which both ourselves and Unisys can operate. This means that we can test the waters in Thailand, Brazil, Mexico and other countries. Due to the expected relaxation of Cocom [Coordinating Committee on Export Controls] restrictions, we are also looking at a market in the Soviet Union and Eastern Europe. If we obtain the agreement of the American Government through our connection with Unisys, we should have no problem doing business.

[NIHON KEIZAI SHIMBUN] Will Mitsui's stock holdings of Unisys increase?

[Ishiguri] If we converted the preferred stock we obtained this time ($150 million) to normal stock, our holdings in Unisys would drop five percent, but would not be allowed to fall below that level. We are not seeking to run Unisys, just to work with them as partners.

[NIHON KEIZAI SHIMBUN] Unisys lost money last year.

[Ishiguri] If you include research and development investment, it wasn't such a great loss, so we think it is possible that it won't happen again. The program to streamline the company has been behind schedule since 1986 when Unisys was formed as a result of the merger of Burroughs and Sperry. The $800 million loss Unisys incurred during their third quarter in 1989 was due to the restructuring which included personnel cuts, inventory adjustments, etc. We are looking at their third quarter performance for 1990 and it seems to be much improved.

[NIHON KEIZAI SHIMBUN] There are many who say that the market for mainframe (general) computers, such as Unisys produces, is shrinking.

[Ishiguri] There are only 10 producers of mainframe computers in the world, so the market is quite stable. Although Unisys computers are not compatible with IBM, Unisys has a presence in Europe and Asia and its computers are widely used by the investment and airline industries, so we think there's no reason to worry about their future profitability. From now on, there will be a significant amount of investment by Japanese and Asian companies into computers compatible with the new UNIX operating system developed by AT&T.

[NIHON KEIZAI SHIMBUN] One-fourth of Unisys sales are related to satellite technology. Don't you think there will be a problem with the American Congress in terms of letting a Japanese company have access to technology used by the military?

[Ishiguri] I don't think there will be any problem at all. Mitsui is a trading company and not a direct business rival to Unisys. Past imports of Unisys products to Japan have been valued at over a trillion yen. The fact that a company with a worldwide trading network like Mitsui will be promoting a high-tech firm like Unisys is a symbol of international cooperation in the private sector, something we should take pride in.

Need for Continued Cooperation With U.S. Seen

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[Part 4 of series of articles entitled "Japanese-U.S. Industries—the Road to Coexistence" Part 1 published in East Asia DAILY REPORT Annex No. 141-A, 23 Jul 90 pp 3-15; Part 2 published in East Asia DAILY REPORT Annex No. 149-A, 2 Aug 90 pp 10-16; Part 3 not published]

[24 Jul 90 Morning p 13]

[Article by Nikkei reporter Yoshida: "Oil Development Lacks Accumulated Technology; Cooperation Through Secured Resources Indispensable"]

[Text] Japan's corporations are successively absorbing advanced technologies that are considered to be the bastions of the United States, and are penetrating its markets. However, there are still numerous fields in which Japan must inevitably rely on the United States. There is an increasing number of cases where the U.S. side is beginning to hold back on technology transfer. Is the "autonomy" of Japanese companies possible? In this final series in Part 4, we have probed into the actual state of reliance on the United States and the future of coexistence.

Employing Technicians From Major Oil Companies

The Japan China Oil Development Corporation (main office: Tokyo, president: Haruki Shimada), a joint investment venture by Japanese oil, steel and electric power companies, succeeded in digging oil in China's Pohai Gulf in July of last year at the rate of 5,000 barrels daily. Cases of developing oil fields on a commercial base are rare in Japan.

However, Japan has little accumulation of technology to evaluate the extent of underground crude oil necessary for commercial production. It must actually rely on international oil capital (major oil companies) centering on the United States. The Japan China Oil Development Corporation has also engaged in oil exploitation by employing highly paid technicians of the Royal Dutch Shell Company.

The Japan Petroleum Exploitation Company, Japan's representative oil development firm, says: "Japan's technology is sufficient for digging wells up to about 2,000 meters deep. However, in cases of 4,000 to 6,000 meters in depth, which are likely to constitute the main excavations in the future, we must use excavating equipment owned by companies like Hughes of the United States."

Large Gap in Software

A particualrly large gap exists in petroleum exploration software. "Raw data on ore exploration can be obtained by creating man-made earthquakes, but in terms of

ability for analysis, we are far behind the U.S. major and independent oil companies" (Teikoku Oil Company technical dept).

Without the ability for analysis, it is impossible to judge the extent and depth of an oil field, and whether to move into commercial production. One person involved in oil development admitted somewhat self-deprecatingly: "Some 2,000 personnel are engaged in oil exploration in Japan, including geological analysts and excavation technicians. The British Petroleum Company alone has far more people."

The Japan Petroleum Exploitation Company purchased the (then) Mark Company of the United States, and began exploration in the Gulf of Mexico in 1987. The purpose of this takeover was of course oil rights, but "actually the data and analysis software accumulated by the Mark Company was important," (overseas main office).

The Mitsubishi Oil Company, which will buy a company with oil rights in Papua New Guinea from the Australian Bond Group, expressed amazement at the depth of the U.S. company strategy. "The Chevron Company (U.S.), an operations management company with joint ownership rights, attends to the needs of the local government with meticulous care, including instruction on oil-related laws. In case of a site designated for a pipeline from the oil fields to the sea, it consults with every tribal group involved for permission and provides them with schools and textbooks," (overseas project dept).

Apprehension Concerning Negotiability Also

When the USSR invaded Afghanistan in 1979 and the United States applied sanctions, there was a strong prediction that the development of Soviet oil would be greatly delayed. The bits used at the tips of excavating equipment are uniquely shaped, using special materials, and are virtually all fabricated in the United States. There was concern that, if the USSR failed to obtain the bits, oil excavation would be delayed.

There is little chance that relations between Japan and the United States will deteriorate to that extent, and the way is being paved to use the technology of the "West" [Europe and America].

Although Japan's oil development industry declares that "apart from such special circumstances as the deep seas and the polar regions, it is possible for Japanese engineers and technicians to develop oil resources by themslves," reportedly only regions with extremely inferior conditions such as the North Pole remain as resources for future development. Merely having money without being able to really judge the possiblities for development causes concern that even the acquisition of oil rights will probably not suffice as bargaining power.

Problems will remain even though crude production becomes possible. Given the distance from Japan, transportation costs will be excessively high. A trade-off method, whereby oil can be supplied to consumer areas near oil fields, and also shipped to Japan from fields located closest to Japan, will be inevitable.

The potential trade-off partners are the major and semi-major crude oil producers throughout the world. Such companies do not exist in Japan. It may be stated that Japan can secure oil resources only by being firmly engaged in a cooperative relationship with European and American cmpanies.

[25 Jul 90 Morning p 13]

[Article by Nikkei reporter Hara: "Improvement of Data Imbalance Lags; Upgrading Lagging Databases"]

[Text] Until last summer, any attempt from Japan to call up the U.S. Department of Energy's [DOE] database "DIALOG" resulted in the appearance of the words "not permitted" on the personal computer screen.

The reason for the restriction by the Department of Energy on the use of the DOE database from Japan was based on the principle of "reciprocity." Japan had no database that corresponded to the DOE database. The DOE was not the only example. Until several years ago, there were numerous databases that could not be used from Japan due to the "reciprocity" principle.

Japan's Uniqueness Was a Factor

Today, circumstances are improving. This is because, in response to requests from the United States for data, Japan has built domestic databases that can be utilized from overseas. Reportedly, "examples like the DOE case are virtually nonexistent today," (Chairman Takayasu Miyakawa of the Japan Database Association).

Following the Sputnik shock in 1957, the United States grappled with the development of a national database. Meanwhile, the buildup of a database in Japan was delayed due to research peculiarities of the Japanese language, differences in ideas concerning data and the high cost of communications. Even today, the market scale (1988) shows only Y130 billion in Japan compared to Y900 billion in the United States.

Moreover, an import surplus for Japan has continued for a long time in this field. As of 1988, of the slightly under 3,000 databases that can be used in Japan, more than 70 percent are of foreign origin. Meanwhile, despite an increase in Japan-produced databases that can be utilized overseas, the number is less than one-tenth.

Quadruple Rise in Databases Offered for Overseas Use

As its industrial competitiveness has declined, the United States has taken up the issue of "data imbalance" and applied pressures on Japan. In the Japan-U.S. Science and Technology Cooperation Treaty signed in 1988, the United States included data distribution as one of the imbalance items, and asked Japan to promote a buildup of databases.

The increase in databases that can be utilized overseas today is due to "a direct impact of this treaty," (Miyakawa). According to the Japan Database Association, domestically produced databases offered overseas totaled 28 in February 1987, but have nearly quadrupled as of July 1989. "As a result, U.S. pressures on Japan have definitely lessened compared to several years ago," (Shigeki Suzuki of the Japan Dataprocessing Development Association).

However, Tomoyuki Sato, president of Scan C2C—a U.S. subsidiary of Fuji Xerox—who is knowledgeable in U.S. database affairs, sternly points out: "It is untrue that Japan-made databases provided for overseas use have increased."

"They are not linked with the principal database services, and have not been translated into English. As such, it cannot be considered an increase in databases that Americans can use."

In fact, only one Japan-made database is linked to the three major U.S. database services—DIALOG, BRS and ORBIT. Many of those concerned point out that there are less than 50 users of the Japan Information Center of Science & Technology's "JICST" offered in English overseas.

Fear of Hard-Line Posture Toward Japan

According to a survey conducted on managers of U.S. corporations by the Scan C2C Company in February of this year, 79 percent of the respondees cited Japan as "one of the most interesting nations (regions)." Along with the European Community, it has received one of the highest ratings. Despite this, "hardly any data on Japan has been sent overseas," (Sato).

The U.S. Government, satisfied with the make-believe results of the Japan-U.S. Science and Technology Cooperation Treaty, is exasperated with the lack of real results, and "could possibily shift back to a hard-line posture," (Sato). If distribution control is applied on data in some form, it will have a major impact on Japan's industries.

[26 Jul 90 Morning p 13]

[Article by Nikkei reporter Sakamoto: "Operating System a Product of 'Western Culture'; Japan To Avoid Competition in Favor of Development Cooperation"]

[Text] In the world of basic software (OS = operating system) for all-purpose computers, a move is under way to dissociate Japan from total reliance on IBM of the United States.

Business Expansion Through UNIX [operating system developed by Bell Laboratories]

Hitachi Ltd. will load the latest version of UNIX as the OS for its "M Series" of large-scale, all-purpose computers. UNIX is attracting attention as the next world-level OS. It was originally developed by AT&T.

Hitachi's basic strategy has been to focus on the so-called IBM-compatible business, with application software developed for IBM use that can be operated as is. It was based on the judgment that, as long as an IBM-centered business world has been established, it was the most advantageous direction. Particularly overseas, while most users purchase Hitachi-built hardware, they buy their operating system from IBM.

Meanwhile, however, there was the additional consideration that only the "box (hardware)" was being provided. Of course, the direction of IBM- compatibility will be continued in the future, but new users will be cultivated with UNIX, and business will be expanded with a system that includes both hardware and the OS. Therein lies Hitachi's new strategy.

Fujitsu, the largest computer company in Japan, is also grappling aggressively with UNIX. In Fujitsu's case, it will load the new UNIX on supercomputers before it will do so on all-purpose machines. A large portion of application software complying with UNIX exists in the technical field. It was based on the judgment that there is a greater demand in the case of supercomputers, and its tactic to use UNIX as a leverage for business expansion is similar to Hitachi's case.

Difference in Number of Users

Of course, regarding such a move among Japanese companies, the rival Cray Research Corporation of the United States predicts that "they will probably undergo trials and tribulations in the future," (President Yoshikazu Hori of Japan-Cray).

The reason is that, if the OS is converted to UNIX, it will become extremely difficult to demonstrate the inherent functions of supercomputers. Despite developing hardware with high-processing speed, the expected performance does not show under actual usage. The reason is that UNIX is not made inherently compatible with supercomputers.

Moreover, from a different vantage point, the OS strategies of the two companies have not changed basically in terms of dependence on the United States. Although Japan's computer industry has equipped itself with high technology, why is it unable to compete with the United States in software?

"The starting point of OS development is the United States. It is something that is not suitable for development in Japan." This is the view expressed by Vice President Nobuo Mitsui of Japan-IBM.

On the other hand, Vice President Takeo Miura of Hitachi contends that "it is not because Japan does not have the technology." For example, the technological aspect of "TRON" promoted by Professor Kensuke Sakamura of Tokyo University and his associates is evaluated highly. However, "software is a kind of culture," (Vice President Miura). The reality in this field is that it is difficult for cultures other than "Western

[European and American] culture" to be accepted. As a backdrop, the fact is that an overwhelming majority of computer users live in Europe and America.

Coordination Within the United States

Two organizations—UNIX International and OSF [Organizational Source (on-line database field identifier)]—are confronting each other over the setting of a standard for the developnment of an improved version of UNIX. It is a race that involves the world's computer manufacturers, and this is also a matter of coordination among the developers of products in the United States. Ther is no room for Japanese manufacturers to play a leading role.

Hitachi's decision to join the OSF is based on an acknowledgement of this fact. "We wanted to enter into actual production of standard software and to have our wisdom reflected as much as possible." In October of last year, a software development center was established within Hitachi Computer Products—a U.S. corporation—and, with this as a base, engineers and technicians are sent to the OSF to assist in standard UNIX production.

It is necessary to frankly recognize "Western culture," and to seek coexistence by avoiding unnecesary competition. There is no alternative for domestic computer makers except to adopt this stance.

[27 Jul 90 Morning p 13]

[Article by Nikkei reporter Fujii: "The FSX That Cannot Fly; Appropriate Cooperation Necessary To Acquire Technology"]

[Text] "To what extent will the U.S. Government disclose data on engine technology?" Development of the Defense Agency's FSX [next-generation support fighter] finally got under way in March of this year. However, the managers in charge at the Defense Agency and the companies engaged in development are impatiently waiting for the U.S. Government to act. Although the FSX is regarded as a joint Japan-U.S. development project, the U.S. Government walks one or two steps ahead concerning engine technology. Behind it is the ample possibility that it may hold off on disclosure of technology for fear of its transfer to civilian use.

Engine Excepted

The FSX is a successor plane to the Defense Agency's present F-1 support fighter jet. Deployment is scheduled in the latter half of the 1990's. The buildup plan goes back to the government's decision in 1982, and an argument for domestic development welled up among those concerned at the time. Subsequently, until a decison for joint development with the United States was reached, a broad and fierce debate took place involving the governments, parliaments and industrial circles of both nations. However, the Defense Agency deemed from the outset that "the engine is an exception."

Development of a jet engine is said to require the most advanced technology, and is attended simultaneously by high risks. In particular, capability to develop an engine for a fighter jet that flies at supersonic speed, such as the FSX, is limited to Pratt & Whitney and GE of the United States, in addition to several European makers. Even Japan's top producer of aircraft engines, Ishikawajima-Harima Heavy Industries, says: "At present, we do not have the technology to manufacture supersonic engines," (Vice President Sadao Takahashi).

The FSX is a single-engine plane that uses the "F-16" by General Dynamics as its base. The mounted engine requires 29,000 pounds of thrust. Only Pratt & Whitney and GE can meet this condition. There are no other options.

Impatience Over Conditions

The Defense Agency decided on a policy of licensed domestic production of the engine designated for FSX use. The reason is "the necessity for domestic makers to learn the technology for maintenance in case of engine problems." However, if the U.S. Government should hold back on disclosure of technology, there will be no choice except to increase the proportion of engines directly procured from the United States. "There could be a situation where our prized fighter jets are turned over to the United States for repairs every time a problem occurs," (Defense Agency official).

In late June, the Defense Agency sent papers to both Pratt & Whitney and GE requesting proposals that indicate the perfomance required of the FSX engine. The work to select the engine type, which is the focal point of FSX development, was started. While both companies are expected to submit their replies by the end of August, they will be subject to inspections by the U.S. Government during the interim. The parties concerned are increasingly worried about conditions that may be attached.

There has already been a case that caused the Japanese side to blanch conerning the problem of disclosing FSX-related technology. It was the U.S. refusal to provide computer software for flight control named "Source Code." The reported reason is a fear of its transfer to development of civilian aircraft. It was an unexpected blow to the Japanese side that had counted on the Source Code.

Following intergovernmental negotiations, the issue was settled, with the Source Code to be independently developed by Japan. However, this requires an additional development cost in excess of Y10 billion. Vice President Takaaki Yamada of Mitsubishi Heavy Industries, the prime contractor for FSX development, says: "The Source Code is flight control know-how gained through combat experience. They probably do not wish to simply

turn over technology that was bought with their blood, so to speak." Nonetheless, there is a continuing view that "it is doubtful whether we can develop know-how on a par with the U.S. version" by independently developing the Source Code.

Allergic Reaction in the United States

Fearing a transfer to civilian use, the United States is beginning to display a clear allergic reaction to disclosure of data on military technology to Japan. On the other hand, there is also a budding attempt (by the United States) to utilize Japan's advanced technology for its military purposes. It is Japan-U.S. joint research under the SDI [Strategic Defense Initiative]. The United States is trying through this research to ascertain whether Japan and its corporations are ready to contribute their independently developed high technologies, including semiconductor technology.

The reliance on the United States for military technology, which continues its advancement, is not likely to change soon. If so, there is not likely to be any way to calm the spreading allergic reaction in the United States except by appropriate cooperation by Japan's defense-related industry with joint research under the SDI.

[28 Jul 90 Morning p 10]

[Article by Nikkei reporter Kobayashi: "Civilian 'Structural Coordination' Moves Ahead; Joining Rivals in Steel and Semiconductors"]

[Text] "It is simple to say NO [published in English] to the United States, but we must not forget that the U.S. market is the lifeline of Japan's industry." Board Chairman Minoru Masuda of JETRO [Japan External Trade Organization] recently issued a warning to some of the domestic opinion makers.

Product Export to U.S. Comprises 34.3 Percent

According to JETRO statistics, the percentage of Japan-made products exported to the United States (dependent on the United States) was the highest with 34.3 percent in 1989, far surpassing West Germany (5.9 percent) in the second spot. Classified by products, there are numerous key items with a dependence rate above 40 percent. Passenger car and computer-related items show a dependence rate of more than 50 percent.

The U.S. magazine BUSINESS WEEK published a special article entitled "The World's Value Corporations" in its 16 July issue, and listed the world's top-ranking corporations according to their total stock values at the end of March 1990. There were 32 manufacturing companies within the top 50 positions, with 18 U.S. companies comprising 56 percent of the total list, far surpassing the seven Japanese companies.

Looking at the United States by itself, there is a definite trend toward deindustrialization. However, many U.S. big businesses continue to prosper through internationalization. Numerous industries such as oil, chemicals, pharmaceuticals, aircraft and engineering leave the Japan forces far behind. Chairman Koichiro Ejiri of Mitsui & Ltd., an expert on U.S. affairs, explains that "it would be a mistake not to differentiate between the problem of macroeconomics in the United States and the micro-strength of its corporations."

Micro-Methods of Seeking Coexistence

In considering the importance of the U.S. market and the strength of U.S. corporations, there is only one choice for Japan's companies. It is Japan-U.S. coexistence. Since prior to the start of the Japan-U.S. Structural Impediments Initiative talks [SII], individual Japanese companies have sought coexistencre with U.S. companies in a variety of forms. Such examples of "civilian structural coordination" are innumerable.

Although the major general trading companies are criticized by the United States as forming the nucleus of a uniquely Japanese corporate group, Mitsui considers the "strengthening of partnerships with U.S. companies," (Chairman Ejiri), as the linchpin of international strategy, and is promoting closer cooperation with McDonnell Douglas in aircraft, with UNISYS in computers and with GE in electrical machinery. It invested $150 million in capital in UNISYS at the end of June. President J.A. Unruh of UNISYS, on a visit to Japan, described his concept of Japan-U.S. cooperation to the press corps as follows: "Thanks to multilateral cooperation by Mitsui, we can expand our business activities throughout the world."

Regarding steel and semiconductors, called the "rice" of industry, Japan's major companies are cooperating with their U.S. rivals in various forms, and a design for Japan-U.S. coexistence is being completed.

In the case of steel, Japan's five blast furnace companies are teaming up respectively with U.S. blast furnace companies—for example, Nippon Steel with Inland Steel, and NKK with National Steel, and are embarking on overall support with both capital and technology. NKK's President Rinsei Yamashiro expresses continuing support, saying: "Plant and equipment investment is indispensable to improve the competitiveness of a company. Although our risks will be greater, it will not be a minus factor when we consider the future."

Led by the auto industry, the trend tooward local production in the United States has grown further. Seven passsenger car manufacturers have started production in America. Expansion of local procurement ratios (local content) for parts and local employment is being promoted, presenting a posture of "conversion to U.S. corporations" (Honda Motor Company).

Given the conversion of Japan's corporations to local (overseas) production, there is a rising view among economists that "the U.S. trade deficit of $109 billion in 1989 will be halved within several years," (Director Masanori Morioka of C. Itoh Economic Research Institute).

Japan's Sense of Presence Heightened

There is concern that the strengthening of Japan-U.S. coexistence will further heighten the sense of presence of Japan's corporations. An "anti-Japan" trend that transcends economic rationality is perceived in U.S. public opinion. How will Japanese companies that have become settled in America be seen as "good corporate citizens"? This year, with such political events as the mid-term elections and the 50th anniversary of Pearl Harbor, may prove to be a litmus test.

Government To Begin Exporting Beef to U.S.

OW0209101490 Tokyo THE DAILY YOMIURI in English 1 Sep 90 p 8—FOR OFFICIAL USE ONLY

[Text] The National Federation of Agricultural Cooperative Associations will begin exporting Japanese beef to the United States in mid-September, resuming an export line ended 23 years ago, it was announced Thursday. The move to resume beef shipments is believed to be a countermeasure against the April 1991 opening of Japan's market to imported beef.

Beef exports from Japan to the United States, totaling only 591 kilograms between 1964 and 1967, stopped after the United States revised its meat inspection law, imposing stricter standards on slaughterhouses. To resume exports, three slaughterhouses, in the prefectures of Gunma, Miyazaki and Kagoshima, were certified as meeting the strict U.S. standards Thursday by the Health and Welfare Ministry.

The Japanese beef will be sold primarily to Japanese-owned hotels and restaurants at prices about 20 percent higher than in Japan. "Including the cost of transportation, the price will be about Y13,000 a kilogram," a federation spokesman said. "That may be four or five times higher than American beef, ignoring the difference in quality between Japanese and American beef."

The federation is planning to ship about a ton a month, he added.

ASAHI SHIMBUN Starts Newsletter in U.S.

OW0509101890 Tokyo ASAHI EVENING NEWS in English 3 Sep 90 p 1—FOR OFFICIAL USE ONLY

[Text] Beginning Sept. 3, the ASAHI SHIMBUN started publishing the English-language weekly newsletter "ASAHI SHIMBUN JAPAN ACCESS" in New York.

Stories about Japan based mainly on articles from publications of the ASAHI SHIMBUN, such as its daily newspaper and weekly and monthly magazines, are edited in Tokyo and transmitted via satellite to new York for printing and publication.

Readers can subscribe to the newsletter in various parts of the United States and Canada. For more information and to subscribe, contact ASAHI SHIMBUN International Inc., 757 Third Ave., New York, N.Y. 10017 (Tel: 1-800-666-0170) or ASAHI SHIMBUN's International Planning Office: 5-3-2 Tsukiji, Chuoku, Tokyo 104-11 (Tel: 03545-0131)

Other Countries

LDP's Ozawa Reviews Response to Gulf Crisis

OW0509105990 Tokyo MAINICHI DAILY NEWS in English 3 Sep 90 pp 1,3—FOR OFFICIAL USE ONLY

[Interview with Ichiro Ozawa, secretary general of the Liberal Democratic Party LDP, by unidentified reporter;—place, date not given]

[Text] MAINICHI: How do you assess the government's assistance to the Persian Gulf area?

Ozawa: Prime Minister Toshiki Kaifu did his very best in reaching a decision, and I think that his decision should receive a certain amount of praise internationally as well.

MAINICHI: What must the government, and what must the political party in power keep in mind about Japan's role in international society?

Ozawa: First of all, the maintenance of world peace is a prerequisite for the peace of our country. And for world peace, we think it necessary to join the United Nations, and to work on realizing the ideas of the Constitution, and maintaining the current peace and achieving further peace based on U.N. activities. This is the basic idea underlying our domestic and foreign policies. And I think what is being asked now of Japan is how we will materialize the idea, and how we will contribute to world peace.

MAINICHI: On Japan's contribution to the Middle East crisis, foreign countries began talking about things which Japan shied away because of constitutional limitations. What do you have to say about this.

Ozawa: The foreword and the first act of the U.N. Charter says that in order to maintain world peace, the U.N. may use force to stop intruders and intrusive actions violating peace out of necessity.

And now that Japan has grown into a powerful nation equal to, or perhaps even more powerful than our Western allies, I think it is natural that other nations demand that Japan should keep pace with their actions in preserving peace.

For half a century we have avoided cooperating in some fields—mainly because of the Constitution, and for other various reasons—but the most important thing we must consider now is whether or not we can keep on taking the same attitude we have been taking.

The U.N. exists for peace, and so do the Self-Defense Forces. And what's wrong about Self-Defense forces being engaged in activities for world peace?

In the postwar period, everybody tends to talk with the idea that peace and military force are two contrary elements. Japan Socialist Party leader Takako Doi, for example, is against U.N. funds for military uses, although she says that funds for peaceful purposes are acceptable.

The Japanese have a tendency to turn down everything that suggests "military power," even though armed forces can also be used as a means of peace.

MAINICHI: Do you mean that it is actually difficult for Japan to continue to limit its contributions to the world to non-military fields only?

Ozawa: Actually, yes. But what I'm trying to say is that if Japan chooses to avoid any military actions, we must at the same time be prepared to take on all the demerits to our international relations that are caused by our choice. I don't object to that.

But what I think is wrong is for us to be evasive. We must decide clearly which side we are going to take.

MAINICHI: What about the opinions within your party that say that all cooperation must be nonmilitary?

Ozawa: We must not be overshadowed by our past situations, happenings, and feelings in discussing this issue. I think it is necessary that we come to a conclusion after considering which alternative will be beneficial to the national interest in the future.

MAINICHI: In order to respond as promptly as possible to these problems, how do you plan to make adjustments within the party?

Ozawa: Within the party, it is fairly easy to come to an agreement since we are all politicians. What needs to be changed is the bureaucratic organizations. The multi-layer structure of bureaucracy is slowing down all the procedures. Not just for this problem, but also for other problems like the Structural Impediments Initiative talks. I think that the power of the Prime Minister's Office should be strengthened, so that the office can take the initiative in dealing with all these problems.

MAINICHI: Do you think you can get those things done?

Ozawa: In addition to the Iraqi issue, I think Japan will be forced to make many other important decisions in the future, and I think that we should at least start discussing these problems with public.

MAINICHI: It is said that you agreed with the prime minister during a meeting last week that there is a need to reform the legislative system in order to enable the government to cope with national emergencies.

Ozawa: There are many fields which legislation on emergency situations must cover.

It would take time to do this when interests of the private sector are involved, but if we can discuss this matter further, we will be able to establish a new legislative system which can cope with emergencies.

MAINICHI: Some people say that is why a Diet session should be convened as soon as possible to discuss new legislation applicable during emergencies.

Ozawa: I also think the sooner, the better. But what I mean by "soon" is that we should deal with the matter before people start forgetting about it. I don't think it is achievable in a short time. Even if we did summon the Diet immediately, there won't be enough time to prepare a bill.

MAINICHI: Since the government was put in a situation where it had to decide about assistance to help quiet down the situation in the Gulf region, many people in the LDP have started suggesting that the Constitution should be amended. What do you think about this?

Ozawa: The amendment of the Constitution is also mentioned in the party platform, but I don't think that a consensus can be obtained immediately, at this point. I think what they mean by amendment is talking about the possibilities, and that is the same with me.

'Exclusive' Interview Held With Shevardnadze

OW3008173690 Tokyo YOMIURI SHIMBUN in Japanese 28 Aug 90 Evening Edition p 3—FOR OFFICIAL USE ONLY

["Exclusive" interview with Soviet Foreign Minister Eduard Shevardnadze by Kenshin Iinuma, chief of YOMIURI SHIMBUN Foreign Information Department, at the Soviet Foreign Ministry on 27 August; reported by Tamotsu Asami and Hiroyuki Fuse]

[Text] Moscow, 27 Aug—

The Iraqi Issue

[Iinuma] Is there any possibility that the Soviet Union will take advantage of its past close relations with Iraq to persuade it [iraku o settoku-suru]? Are you going to support UN Secretary General Perez de Cuellar's mediation?

[Shevardnadze] I feel that the Soviet Union made its principled position known through the Soviet Foreign Ministry's statement on the Persian Gulf crisis. We denounced Iraq (for its aggression into Kuwait). The Soviet Union has long maintained favorable relations with Iraq, but the Iraqi action is incompatible with international laws and with its position as a United Nations member. It is not in accord with the principle of new political thinking, which the Soviet Union has adopted during the past few years. In other words, the

Soviet Union has been forced to choose between two alternatives on this issue: to denounce the aggression despite our favorable relations with Iraq or to negate the line of perestroyka (restructuring) and the reform of policies. We have chosen the first alternative. As a result, the Soviet Union voted in favor of all the UNSC [United Nations Security Council] resolutions.

We have maintained our relations with Iraq and made contact at considerably high levels. We recently invited and held detailed talks with Iraqi Deputy Prime Minister Hammadi on various problems. Soviet special envoy Sytenko returned from Baghdad on 26 August. We held talks with the Iraqi leadership through Sytenko. We are making efforts to resolve this critical situation, as we explained our position in detail (to the Iraqi side) through all these contacts.

We welcome the UN Secretary General's mediation efforts. The Soviet Union is ready to provide its cooperation to make his efforts a success.

[Iinuma] Do you think Iraq will respond to Soviet persuasion and abandon its annexation of Kuwait? Do you think Iraq will agree to the release of foreign hostages?

[Shevardnadze] Only the Iraqi leadership can answer these questions. However, the Soviet Union will never approve of its annexation of Kuwait, and we will never change our position (that all foreign residents should be allowed to leave the nation freely).

[Iinuma] At present, the Soviet Union is making efforts to work out a political settlement without resorting to military force. However, if the United Nations should adopt a new resolution, will the Soviet Union be ready to approve it and join in military action?

[Shevardnadze] Logically speaking, no resolutions whatsoever can be adopted without Soviet approval since the Soviet Union is a permanent member of the UN Security Council. The Soviet Union will certainly fulfill its due responsibility to implement a resolution once it is adopted with our approval. The United Nations adopted several important resolutions, including the latest one (on enforcing economic sanctions). In my opinion, all UNSC member nations should concentrate at the present stage on working out a political settlement through concerted efforts or by taking advantage of their bilateral relations (with Iraq). I feel that herein lies the purpose of UN Secretary General Perez de Cuellar's visit to the Middle East.

[Iinuma] If the Soviet Union should agree to the use of armed force, when will it be and under what circumstances?

[Shevardnadze] At present, the Soviet Union does not have any plans to join in the action of resorting to armed force. However, the situation will become different if the UN Security Council adopts a resolution on organizing multinational troops. If the Soviet Union feels it is necessary to agree to this plan, it will be ready to fulfill its duties. However, for this purpose, it will be important for the Military Staff Committee of the UN Security Council to make concentrated efforts. In other words, military experts should study the military situation (in Iraq) in detail and submit reports on its study to the UN Security Council. At present, we feel that the UN Security Council should play the major role (in settling this issue).

[Iinuma] It is observed that there is a disparity between the United States and the Soviet Union in their approaches toward the Iraq issue. What do you think?

[Shevardnadze] We are making concerted efforts in a favorable way, and we share good mutual understanding in the UN Security Council. Representatives of our two nations have constantly held consultations at the ministerial level. As you all know, U.S. Secretary of State Baker is not in Washington now. However, we have maintained contact with Secretary Baker. We have exchanged views by phone on several occasions prior to the adoption of the latest resolution.

Japanese-Soviet Relations

[Iinuma] Mr. Foreign Minister, the Japanese people have great expectations for your visit to Japan next month and also for President Gorbachev's visit next year. How do you assess the Japanese "10-point proposal" made at the last Japanese-Soviet working-level consultations? Will this proposal become the foundation for improving Japanese-Soviet relations, including the settlement of the "northern territorial" issue? Moreover, as far as the Soviet side is concerned, do you have counterproposals?

[Shevardnadze] The proposal will become a topic for discussion at the Japan-USSR talks. Each item of the proposal will be studied in detail, and views will be exchanged extensively on each item at the foreign ministerial consultations to be held in Tokyo. We can even say that discussions have already started. The proposals generally contain various positive factors. These items would favorably influence the development of Soviet-Japanese relations should they be implemented. The Soviet side is also working on counterproposals, which may include 10 or 15 items. I think we will have useful discussions and achieve good results in Tokyo.

I do not think I can agree with the observation that no remarkable development has been made in the Soviet-Japanese relations since my first visit to Japan (in October, 1986). I think there have been major changes during this period. Development has occurred in economic cooperation and in scientific and technological and humanitarian relations. Progress has been made in the promotion of good-neighborly relations. I feel there is a good chance that such development and progress can be increased. President Gorbachev's visit to Japan will be of both practical and historical significance.

[Iinuma] What will be the timing of the president's visit to Japan?

[Shevardnadze] We are not supposed to mention the timing.

[Iinuma] It is true that an increasingly favorable mood has been noted in Japanese-Soviet relations. Foreign Minister Shevardnadze's visit to Japan and also President Gorbachev's visit will probably arouse a "Soviet boom" in Japan.

[Shevardnadze] Well, I hope so. (laughing)

[Iinuma] Is it correct to say that we can expect a situation in which the development of economic and humanitarian issues, including the territorial issue, will become more satisfactory to both sides with the foreign minister's and president's visits to Japan?

[Shevardnadze] I hate to be asked difficult questions. Very positive and active work is now in progress to pave the way for signing a peace treaty. All complicated problems that we face are under discussion within this framework. We must explore ways for developing our overall relations even if some issues should remain unsettled.

Attention should be paid to how the world situation has developed today. Very intensisve and extensive moves have been noted not only in Europe, but in every corner of the world. As one united body, industrialized as well as developing nations have joined their efforts in promoting economic cooperation, in resolving ecological problems, and in preventing wars or overcoming military confrontations. It has been mentioned recently that organs such as the "All-Europe United Economic Cooperative Body" or the "United Humanitarian Area" should be created.

Europe and Asia constitute a big continent, but why is it that no talks have ever been held on this continent as a whole? It would be better to hold talks on legal, economic, and humanitarian issues as soon as possible. Such talks will conform to the interests of not only the Soviet people but also of the peoples of various nations—including Japan and both European and Asian nations. I am sure the Soviet Union will be able to play a unique role in this matter because the Soviet Union covers an area extending from Europe to Asia.

[Iinuma] Can we expect a future Soviet troop withdrawal from the northern territories in order to contribute to easing the tension in Asia as a whole?

[Shevardnadze] I would like to have extensive discussions at the Tokyo foreign ministerial consultations on how to overcome military confrontations in the Asia-Pacific region. No progress has been made on this issue at the discussions so far. However, I am satisfied with the fact that the Japanese side stated that it would "agree" to discuss this issue.

I would like to state my views from a broader standpoint. A common concept on how to overcome military confrontations can possibly be created. I feel that when a general scheme for overcoming military confrontations in the Asia-Pacific region is worked out, then each individual detailed problem—such as problems concerning individual military bases or islands—can be easily settled.

We must consider the fact that great changes have taken place in the world. President Gorbachev stated in Malta (in December 1989) that "the Soviet Union does not regard the United States as a military opponent," and President Bush made the same remarks at Camp David (last June). The NATO and Warsaw Pact Organization (WPO) are forming entirely new relations now. In other words, it has become possible to actually overcome military confrontations in Europe. Why is it that the same possibility cannot be created in the Asia-Pacific region? (Concerning the withdrawal of Soviet troops from the northern territories), I hope you will not think I have avoided answering this question. In my opinion, we must first form principled views. If we overconcentrate our interests on detailed problems from the very beginning, we will not be able to consider problems from an overall viewpoint.

Security in Asia

[Iinuma] Do you plan to make practical proposals for Asia-Pacific region security at the upcoming Japanese-Soviet foreign ministerial consultations in Tokyo or at the Seminar on the Asian-Pacific security to be held in Vladivostok?

[Shevardnadze] I think you still remember President Gorbachev's speeches delivered in Vladivostok (in July, 1986), and in Krasnoyarsk (in September, 1988). We are studying whether it would be possible to make a few proposals by expanding or developing these two speeches.

[Iinuma] In his Krasnoyarsk speech, President Gorbachev mentioned that an international conference should be held under the joint sponsorship of the Soviet Union, China, the DPRK (North Korea), the ROK, and Japan. Is this proposal still in effect now?

[Shevardnadze] Yes, it is. In fact, other nations have indicated their intention to join in such a move. Canada and the United States, if the circumstances require, will also be included. In other words, it means that the scale will be expanded if circumstances require.

[Iinuma] Is there also a plan to turn this international conference into a permanent organ?

[Shevardnadze] Yes, there is such a plan. However, it is very hard to say at this point what type of organization will be created.

[Iinuma] It has been observed that a new idea concerning "measures for building trust" will be set forth in Vladivostock. What do you think of this?

[Shevardnadze] There is no denying that such ideas do exist. However, despite the fact that there are many ideas, it does not follow that all of them will be discussed in the Soviet approaches. It will depend on whether or not partners in the Asia-Pacific region are willing to accept these ideas, and it will certainly affect our initiative and position.

[Iinuma] It is reported, Mr. Foreign Minister, that you will stop over in China and North Korea prior to your upcoming visit to Japan. Do you plan to have talks on similiar issues during your stopovers?

[Shevardnadze] Of course. I will hold talks with the Chinese foreign minister in Harbin. However, we have not made the final decision on my visit to North Korea.

[Iinuma] I would like to go back to the northern territorial issue. It is stated clearly in the "Japanese-Soviet Joint Declaration" issued in 1956 that the two islands should be returned to Japan. Is this declration still in effect?

[Shevardnadze] Other documents have been issued since then. In particular, you should take a look at the statement connected with the Japan-U.S. Security Treaty. You will find the answer in it.

[Iinuma] Do you mean the "Gromyko message"?

[Shevardnadze] That's right.

U.S.-Soviet Relations

[Iinuma] Is it all right to think that the START [Strategic Arms Reduction Talks] treaty will be signed at the U.S.-USSR summit talks expected to be held at the end of this year?

[Shevardnadze] The very decision on the timing of the U.S.-USSR summit talks will depend on progess in working out the treaty. Amazing progress has been made, and major problems have been settled. However, several complicated problems currently remain unsettled. We hope the treaty will be signed during President Bush's visit to Moscow, and the visit itself is one of the practical tasks to be discussed at the talks. If the treaty cannot be worked out by the end of this year, we plan to have it completed early next year.

Situation in Europe

[Iinuma] Mr. Foreign Minister, what is your position on the development of reforms in Eastern Europe and also on the move toward unification in Europe?

[Shevardnadze] I feel satisfied. A unique move, which has not been noted in history, is currently in progress in Europe. In fact, we can say that Europe has become a laboratory for new international relations. All of us are joining in the process with enthusiasm, making efforts to speed it up, and concentrating our efforts on eliminating a military threat. Of course, there are complicated factors in this process, but a major development has been achieved. I feel proud that therein lies the Soviet contribution.

USSR Asked To Sound Out DPRK on Relations

OW0509142190 Tokyo YOMIURI SHIMBUN in Japanese 4 Sep 90 Morning Edition p 2—FOR OFFICIAL USE ONLY

[Text] A government source revealed on 3 September that the Japanese Government had made an informal request to the Soviet foreign minister to sound out North Korea on its intention of improving relations with Japan. The request had been made shortly before Soviet Foreign Minister Eduard Shevardnadze left for the (2-3 September) visit to the DPRK (North Korea).

Foreign Minister Shevardnadze is expected to convey his findings from North Korea at a meeting on the international situation scheduled with Foreign Minister Taro Nakayama on 5 September, and to explain further details at a working-level meeting with department directors set for the afternoon of 6 September. With some moves noted recently in North Korea toward improved relations with Japan, the contents of his report are drawing attention.

According to the government source, the Japanese request to the Soviet Union was made on 29 August, after Foreign Minister Shevardnadze's schedule to visit North Korea was fixed. Ambassador to the Soviet Union Sumio Edamura paid a courtesy call on the foreign minister in Moscow and asked for information on North Korea's stance. He explained Japan's great interest in improving relations with North Korea by beginning government-level negotiations with the country. In response, the foreign minister is said to have promised: "I will let you know if there is anything interesting."

North Korea, which appeared further to be isolated internationally after South Korea and the Soviet Union began closer ties, has recently been showing signs of its desire to improve relations with Japan. An advance party, composed of members of the Liberal Democratic Party [LDP] and the Japan Socialist Party (and led by Hajime Ishii, acting chairman of the LDP Research Commission on Foreign Affairs) is due to arrive in Pyongyang on 4 September on a mission to lay the groundwork for a visit by former Deputy Prime Minister Shin Kanemaru to North Korea.

Soviet Official on Troop Cuts on Kuril Islands

OW3108203490 Tokyo YOMIURI SHIMBUN in Japanese 28 Aug 90 Evening Edition p 1—FOR OFFICIAL USE ONLY

[Text] Twenty-three members of the second group of Japanese to visit relatives' graves in the northern territories (led by Yoshio Konuki) returned to Nemuro port in Hokkaido on the morning of 28 August. They were the first Japanese to visit Etorofu Island since World War II. They returned on the Hokkaido Education Bureau's training vessel Hokuo-maru (386 ton).

The group said Kashupruk [name as published], deputy chairman of the Kuril District Assembly who received the Japanese visiters as Soviet representative, told them of a trend of the Soviet Far East forces stationed in the northern territories, saying: "Some 300 ground forces troops withdrew from the Kurils last year, and their equipment was dismantled." The deputy chairman thus revealed that a partial and very small-scale reduction of forces had been implemented there.

Major Sukov [name as published] of Soviet Border Patrol [kokkyo Keibi-tai], who accompanied the visiters to the graves, gave his opinion that "disarmament is progressing all over the Soviet Union, and it is also possible on the island." But he avoided mentioning concrete prospects for arms reduction there.

Soviet forces were deployed to the northern territories in 1978. As a result of the subsequent defense buildup, the forces currently have full-division ground force armed with tanks and assault helicopters, an air force unit equiped with about 40 MiG-23's, and three airbases. Etorofu Island, the largest and northernmost island, reportedly has the largest military base among the four northern islands. The island lies along an Okhotsk-Pacific passage for the Soviet Pacific Fleet, particularly for its nuclear power submarines. These strategic reasons are believed to be the greatest reasons the Soviet Union never allowed Japanese to visit graves on Etorofu.

DA To Promote Personnel Exchange With USSR

OW0209074490 Tokyo YOMIURI SHIMBUN in Japanese 1 Sep 90 Morning Edition p 2—FOR OFFICIAL USE ONLY

[Text] The government firmed up on 31 August the policy of promoting personnel exchanges between high-ranking leaders of the Defense Agency [DA] and Soviet forces in response to "measures for building confidence" as proposed by the Soviet side. It is expected that, while making sure of the Soviet views at the Japanese-Soviet foreign ministerial consultations scheduled to start on 5 September, the government plans to include this measure in the agreement to be reached between Japan and the Soviet Union during President Gorbachev's visit to Japan next spring. This will be the first agreement on confidence-building measures, although merely partial, between Japan and the Soviet Union. Thus, Japan and the Soviet Union will now greet a new situation in their defense and offense over the issue on security in the Asia-Pacific region.

Included in the USSR-proposed confidence-building measures are exchanges of high-ranking officers, exchanges of visits by vessels, and exchanges of inspections of naval exercises. In response, the government persistently has maintained a cautious approach toward establishing the settlement of the northern territorial issue as a precondition. However, it has shifted to agreeing to the proposals from the viewpoint that the Soviet Union strongly has urged Japan to respond to its proposals for confidence-building measures because "some results will be needed" for the president to visit Japan and that, as far as Japan is concerned, countermeasures must be taken against the Soviet "peace offensive".

Delays Reported in USSR Payments for Imports

OW0309231490 Tokyo MAINICHI DAILY NEWS in English 2 Sep 90 p 7—FOR OFFICIAL USE ONLY

[Text] Delays in Soviet payments for imports from Japan, which tended to taper off for a time, are worsening again, say trade sources. The Japan Association for Trade with the Soviet Union and Socialist Countries in Europe said delays in Soviet payments for imports from Japan totaled 518 million dollars as of the end of July, up 16.1 percent from 446 million dollars the month before.

Japanese trading giants, which account for the majority of the delayed payments, wish to refrain from trading with the Soviet Union for fear that such delayed payments might increase further, the sources said.

The trading firms, however, fear that the goodwill they have established in trade with the Soviet Union may be eaten away by other trading firms, if they hold back from dealing with Soviet trading partners, the sources said.

The association said V/O Promryioimport, the Soviet Industrial Raw Materials Export and Import Corp., led in import payments delays with 207 million dollars as of July 31, compared with 169 million dollars the month before.

Delays in Soviet payments for imports had built up since they surfaced last yearend. However, shortly after West Germany's extension of a 5 billion mark emergency loan to the Soviet Union, the Office of the Soviet Trade Representative in Japan said a substantial portion of the delayed payments would be paid by the end of July. Japanese trading firms thus believed that the problem of payments delays would be settled soon.

When the Soviet division chief of a major Japanese trading company asked Soviet government officials about the payments in mid-August in Moscow, however,

the officials replied only that every effort would be made to solve the problem by the end of the year, the sources said.

Cautious Reaction to Shevardnadze Proposal

OW0409133090 Tokyo JIJI in English 1255 GMT 4 Sep 90—FOR OFFICIAL USE ONLY

[Text] Tokyo, Sept. 4 (JIJI PRESS)—The Foreign Ministry Tuesday reacted cautiously to Soviet Foreign Minister Eduard Shevardnadze's proposal to hold a conference of foreign ministers from the Asia-Pacific region in Vladivostok in the autumn of 1993. Ministry sources said there was nothing particularly new in the proposal except that the conference timing was newly proposed.

Even if a broad framework for overall Asian security is created at the proposed conference, it will not make sense unless regional conflicts, such as the division of the Korean peninsula and the civil war in Cambodia, are resolved first, the sources said.

Shevardnadze proposed holding the Asia-Pacific foreign ministers conference in a keynote speech at the second Asia-Pacific international meeting which started in Vladivostok Tuesday for a three-day run under the sponsorship of the Soviet Foreign Ministry. Shevardnadze visited the Soviet Far Eastern port city prior to his departure for Tokyo for a four-day trip to Japan from Tuesday.

The Soviet proposal, whose outline had been clarified earlier, drew support from countries like Canada and Australia at an expanded foreign ministers' meeting of the Association of Southeast Asian Nations (ASEAN) in Jakarta in July. Their support apparently helped prompt Shevardnadze to push forward with his plan, the sources said.

Japan will seek an explanation about specifics at meetings between Shevardnadze and Foreign Minister Taro Nakayama on Wednesday, they said.

Business Leader Urges Caution Toward USSR

OW0609145090 Tokyo JIJI in English 1347 GMT 6 Sep 90—FOR OFFICIAL USE ONLY

[Text] Tokyo, Sept. 6 (JIJI PRESS)—Business leaders expressed their hope Thursday that the upcoming visit to Japan by Soviet President Mikhail Gorbachev will catalyze advances in Japan's economic exchanges with the Soviet Union. Gorbachev's visit will lead to stronger ties between Japan and the Soviet Union, said Eishiro Saito, chairman of the Federation of Economic Organizations (Keidanren).

Japan and the Soviet Union agreed Thursday that Gorbachev will come to Japan around mid-April next year when Prime Minister Toshiki Kaifu conferred with Soviet Foreign Minister Eduard Shevardnadze, now here on a four-day trip through Friday for a regular foreign ministers' meeting.

Japanese business leaders are scheduled to discuss economic cooperation with the Soviet Union at a meeting in Tokyo next January. Keidanren's Japan-Soviet business cooperation committee holds a joint meeting with its Soviet counterpart regularly.

The Tokyo meeting is most likely to take up Russo-Japanese joint projects, including joint ventures under way in the Soviet Far East. Two-way trade between Japan and the Soviet Union topped 6 billion dollars for the first time last year, but the amount accounted for a meager 1.25 percent of Japan's overall external trade.

Top businessmen, including Keidanren's Saito, do not expect full-fledged bilateral economic exchanges until after the two countries resolve their territorial dispute over four islands north of Japan and conclude a peace treaty.

Nevertheless, some business leaders, like Chairman Takashi Ishihara of the Japan Association of Corporate Executives (Keizai Doyukai), maintain that Thursday's agreement on Gorbachev's Tokyo trip will stimulate Soviet-Japan relations to develop into a new stage.

In this respect, Rokuro Ishikawa, president of the Japan Chamber of Commerce and Industry, warned Japan against a quick expansion in economic cooperation with the Soviets, citing a floundering Soviet economy. The Soviet Union will always be in need of Japanese aid, according to Ishikawa.

New Training Program Planned for Eastern Europe

OW0209120890 Tokyo YOMIURI SHIMBUN in Japanese 1 Sep 90 Morning Edition p 6—FOR OFFICIAL USE ONLY

[Text] As part of measures to support Eastern Europe, the Ministry of International Trade and Industry [MITI] decided on 31 September to introduce "a third-nation training program." Under the program, 50 trainees from five East European nations, except for East Germany and Romania, will participate every year in the Japanese business management training program to be conducted in locally affiliated firms of Japanese enterprises in Western Europe.

The training program for invited foreign trainees has thus far been conducted in Japan. However, there have been many cases in which foreign trainees hardly have become accustomed to a Japanese living environment because of their different life-styles. They needed a long time to learn Japanese business management. The third-nation training program will make it possible for East European trainees to learn Japanese business management, while allowing them to stay in Western Europe, which has common historical and cultural features with Eastern Europe. The MITI maintains that "this type of

training program will raise the efficiency of the training and save costs incurred from foreign trainees' travel to and from Japan."

Nations eligible for the third-nation training program are Poland, Hungary, Czechoslovakia, Bulgaria, and Yugoslavia. The Association for Overseas Technical Scholarship (AOTS), a juridical foundation, will take charge of conducting the training program and receive 10 trainees each from the five East European nations every year. With regard to sites where the training program will be conducted, Japanese enterprise affiliated electric appliance plants and automobile plants in Britain and Austria are being cited as potential sites for the training program.

Because Prime Minister Kaifu announced during his visit to Poland and Hungary this January a measure to support the two countries through training programs for a total of 875 people, using the AOTS to conduct the training, the MITI presently is conducting a training program for 75 trainees from the two countries.

Firms To Build Petrochemical Plant in CSFR

OW2908231090 Tokyo THE JAPAN ECONOMIC JOURNAL in English 1 Sep 90 p 16—FOR OFFICIAL USE ONLY

[Text] A Japanese team has outbid West German and Austrian rivals for a contract to construct a petrochemical additive plant in Czechoslovakia.

The top Czech petrochemical firm, Slovnaft State Enterprise, has awarded a contract to C. Itoh and Co. and Chisso Engineering Co. for a Y2.3 billion facility which will produce isoparaffin, an anti-knock compound for use in unleaded gasoline. The plant's capacity should run about 250,000 tons a year when production begins in early 1992, company sources said Aug. 23.

With the planned facility's production, the new Prague government hopes to increase the ratio of unleaded gasoline to about 60 percent of the nation's gasoline consumption, the sources said. Much of the country's fuel consumers rely on leaded gasoline, a situation the Prague government hopes to remedy in efforts to ease strong environmental concerns which have developed throughout central Europe.

The move is also in line with the country's plan to replace the decades-old engine designs of its cars with sophisticated engines developed in the West, the sources said. Most current Western engines are designed specificially for unleaded premium gasoline.

To meet these demands, the government requested bidders to complete the plant as early as possible, the sources said. The Japanese team assured in its bid that it could complete in 18 months a project which would normally require 24 months for completion.

C. Itoh and Chisso Engineering jointly outbid Voest-Alpine AG of Austria and Mannesmann AG of West Germany, due in large part to the shorter contract time and advanced technological features incorporated into plans for the facility.

The facility will make high-octane isoparaffin from low-octane N-paraffin by using isomerizing and hydrogenation-refining technology.

Slovnaft plans to obtain both a letter of credit and long-term financing from an Austrian bank through its subsidiary in Vienna, the sources said. Although Czech companies had formerly obtained letters of credit from the national Commercial Bank of Czechoslovakia AS, the new non-communist government decided to employ the Austrian bank to cope with falling confidence among Western countries in the nation's solvency.

Company Purchasing Naphtha From PRC, Iran

OW0509194090 Tokyo JIJI in English 1302 GMT 5 Sep 90—FOR OFFICIAL USE ONLY

[Text] Tokyo, Sept. 5 (JIJI PRESS)—Marubeni Corp. has purchased Iranian naphtha on the spot market and also asked China to subtantially boost naphtha supply under their term contract, the major trading house said Wednesday. The Osaka-based company said it has decided on the unusual step of purchasing 25,000 tons of naphtha from Iran for arrival in Japan soon.

The Tehran-based National Iranian Oil Co. (NIOC) sounded out Marubeni on whether it was willing to purchase Iranian-made naphtha at an international price plus a certain premium, Marubeni officials said. Marubeni accepted Iran's offer, taking into account strong demand for naphtha from the Japanese petrochemical industry, they said.

Marubeni, which handles more Chinese-produced naphtha than any other Japanese firms, imported one million tons of Chinese naphtha in 1988, the officials said. But 1990's contract between the two parties allows the Japanese firm to buy only 500,000 tons due to expanding demand in China caused by the start of full-fledged operation of domestic naphtha-using chemical plants, they said.

Japan's economic sanctions against Iraq prevent 3 million tons of naphtha or some 14 pct of its overall annual imports of the product from being exported from Kuwait to Japan. To cope with a possible naphtha shortage, Marubeni officials visited Beijing to ask the Chinese Government to increase the amount of Japanese-bound naptha shipments as much as possible.

Because China expressed its intention of seriously considering Marubeni's request, the company expects Beijing will make 100,000 to 200,000 tons more available, they said.

Diplomatic Vascillation Between East, West

902B0216A Tokyo NIHON KEIZAI SHIMBUN in Japanese 30 Jul 90 p 2—FOR OFFICIAL USE ONLY

[Article by Keiichi Kawanishi, deputy chief of Political Section]

[Text] The view of Japan as a "banana" has become a topic of conversation in the Ministry of Foreign Affairs. An ambassador to an Asian country, at a meeting of the ministry, talked about this as he presented the Asian countries' view of Japan.

According to the ambassador, Japan calls itself a representative of Asia; meanwhile, it emphasizes democracy and human rights in a Western manner: that is, its skin is yellow (Asia); however, it is white inside (the West) just like a banana.

The point concerned whether Japan, which moved to take sanctions against China along with the developed nations in the West at the time of the Tiananmen Square massacre in Beijing in June of last year, can have diplomatic intercourse with Asian countries from the same position as the West.

It has not really been made public that two views in the ministry regarding policy toward China have collided with each other constantly for the past year since the Tiananmen Square massacre. These are the pro-West faction that is cautious about improving relations with China, saying, "Getting along with the United States and Europe is the most important"; and the pro-Asia faction that claims that Japan should take any action, no matter how small to improve relations with Asia.

Asian countries that are democratic and advocates of human rights are still in the minority. The pro-Asia faction's opinion is probably like this: Even if Japan holds up "democracy" in diplomatic policies in such an environment, their Asian counterparts would oppose it or be bewildered by it.

On the other hand, as far as relations with the West, ideas of "Japan's alien nature" has been spreading there since last year, criticizing Japan for economic friction and claiming that Japan is a country whose values are incompatible with those of the West. Therefore, from the perspective that emphasizes harmony with the West, turning a blind eye to the subject of democracy and holding out for an improvement of relations with China are not good ideas.

The view of Japan as a "banana" can also be thought of as Asia's own theory of "Japan's alien nature." Japan's attitude toward China has gone back and forth between those two theories of its alien nature.

The bulk of this distressing problem should have been brought to an end at the last super power summit meeting (Houston summit). The attitude of Prime Minister Kaifu, who made the argument for "not isolating China" and worked out the lifting of a freeze on the third yen credit to China, was clearly to impress others with the appearance of an "assertive Japan."

However, the image of an "assertive Japan" is in doubt on account of the government's current vague responses made to China. Japan is eager to deny the rumors emerging from the LDP [Liberal Democratic Party] that the prime minister and the education minister will visit China; and the government complicated the matter by responding that while "a government envoy" was problematic, "a prime minister's envoy" was not.

The government's attitude, "We will give them money but no governmental relationship," is believed to stem from the fact that the suspension of relationships between high government officials has not been lifted yet. At this point, however, two cabinet members from China have visited Japan this year, and a vice minister level official of the Ministry of Foreign Affairs from Japan has visited China; therefore, this explanation is lame.

In short, the Japanese Government clamored to improve relations with China at the summit but ended up driving off the road, because it attempted to slow down and put its foot on the brake too quickly when the West unexpectedly reacted severely to a planned improvement. This was at the same time the LDP was trying to step on the accelerator.

Unable to stand by and watch the government's awkwardness the LDP, Chief Cabinet Secretary Sakamoto demanded that the Ministry of Foreign Affairs "control the traffic"; though, within the ministry, the tug-of-war between pro and con factions dealing with China is still going on at lower levels, and the disagreement between the government and the LDP reflects that.

The summit indicated an intention following the end of the Cold War to draw a new line in the world using "democracy" as the dividing line. The recent policy change by the U.S. Government on the removal of the Pol Pot faction in Cambodia, a three-faction confederacy notorious for massacres, is a phenomenon coming out of that. ASEAN immediately opposed against it; thus, Japan is caught between ASEAN and the United States.

As to the subject of democratizing China, the Japanese Government has not clearly shown its definite dissatisfaction and made demands. To tell the truth, the problem for Japan is more the fact that the United States and Europe are dissatisfied with China than whether China becomes democratic.

In that regard, the view of Japan as a "banana," referring to its inside as white, is not neccesarily true. In the Ministry of Foreign Affairs, there is a different view referring to Japan as a mandarin orange, rather than a banana, because it has a thin white skin inside but is yellow underneath after all.

Asia and the West—if we take the heavy lid off "the East- West confrontation," Japan appears caught squarly between the two in a very difficult position. How will the two be joined and blended together? There may never be such a period in which the insight of the politicians handling foreign policies is questioned as it is being now.

Kanemaru Said To Mediate Between PRC, Taiwan

OW2908211990 Tokyo MAINICHI SHIMBUN in Japanese 28 Aug 90 Morning Edition p 2—FOR OFFICIAL USE ONLY

[Text] Former Deputy Prime Minister Shin Kanemaru, who is chairman of the Takeshita faction of the Liberal Democratic Party [LDP], will visit China for eight days starting on 29 August. Mr. Kanemaru is scheduled to

meet with Premier Li Peng, CPC General Secretary Jiang Zemin, and other officials. It is possible that he will hold talks with China's supreme leader Deng Xiaoping, former chairman of the CPC Central Military Commission. Mr. Kanemaru will be carrying a letter from Prime Minister Kaifu for Deng Xiaoping. The main purpose of Mr. Kanemaru's visit is to act as a mediator between China and Taiwan. In a series of talks with the top leaders of the Chinese side, however, he also is expected to hold discussions on the Taiwan issue, on the possibilty of a normalization of ties between the DPRK (North Korea) and Japan, and overall Japan-China relations.

Mr. Kanemaru belongs to a pro-Taiwan faction, and this will be his first visit to China since he became a dietman. Ten dietmen of the same faction, including Watanabe, the faction's secretary general, and Seiroku Kajiyama, former minister of the international trade and industry, will accompany Mr. Kanemaru.

Mr. Kanemaru will arrive in Beijing on 29 August and stay there until 1 September. During his stay in Beijing, Mr. Kanemaru will meet with Foreign Minister Qian Qichen (on 30 August), and successively with Premier Li Peng and Sun Pinghua, president of the China-Japan Friendship Association, (on 31 August). He will visit Dalian and Shenyang in China's northeast region, where he visited as a student before World War II, on 1 and 2 September before returning to Beijing on 3 September. He is scheduled to confer with General Secretary Jiang Zemin on the same day. He will travel to Shanghai the next day before departing for Japan on 5 September. Mr. Deng himself has not been receiving foreign dignitaries lately. Although a meeting with Mr. Deng has not yet been confirmed, it will be the first time, if it materializes, that a Japanese politician will meet with Mr. Deng since Mr. Ito, chairman of Japan-China Friendship Association, met with him in September last year.

Mitsubishi Outlines Projects With Daimler-Benz

OW3008014590 Tokyo ASAHI EVENING NEWS in English 28 Aug 90 p 4—FOR OFFICIAL USE ONLY

[Text] Japan's Mitsubishi group has outlined possible joint projects with Daimler-Benz AG of West Germany that include joint production of passenger cars in the Soviet Union, officials of the Japanese group said Aug. 27. The projects represent the first tangible proposal made by the Mitsubishi group to Daimler-Benz since they agreed in March to cooperate in a broad range of areas. While the two groups had agreed to cooperate in a variety of areas—aerospace, electronics, new materials, telecommunications and service industries—no specific projects have yet been officially agreed on the officials said.

The Japanese group comprises four companies: Mitsubishi Corp., a general trading house; Mitsubishi Heavy Industries Ltd., a leading defense contractor and shipbuilder; Mitsubishi Motors Corp.; and Mitsubishi Electric Corp. Daimler-Benz is the holding company of major West German firms in the automobile, electronics and aerospace industries.

Officials at the trading company said the group will propose to Daimler-Benz a plan to take part in the production of motor vehicles in the Soviet Union, which is being undertaken by Mercedes-Benz.

Edgard Reuter, chairman of Daimler-Benz, has disclosed that the West German conglomerate was planning the car production in cooperation with the Mitsubishi group. He said the Benz group expects Mitsubishi Motors Corp. to produce small passenger cars and commercial vehicles, while it hopes to produce midsize cars. Details of the project, including conditions to be laid out by the Soviets, still have to be worked out before Mitsubishi will decide on its participation, the Mitsubishi officials said.

Other projects include international procurement of auto components by Mitsubishi Corp. for Mewrcedes-Benz and transfer of the trading company's technology in such areas as aircraft leasing and the newly established Daimler-Banz Inter Services, according to the officials. The Japanese side will propose these projects at a meeting of top executives of the two groups in Tokyo next month. It will also open a liaison office in Stuttgart in October to coordinate the two groups' efforts, they said.

Government Grants Aid to Lesotho, Morocco

OW3108191190 Tokyo JIJI in English 1359 GMT 31 Aug 90—FOR OFFICIAL USE ONLY

[Text] Tokyo, Aug. 31 (JIJI PRESS)—Japan will provide Lesotho with 100 million yen in food aid and extend 1,791 million in grant aid to Morocco, the government said Friday.

Notes to this effect were exchanged between the Japanese and Lesotho Governments and between the Japanese and the Moroccan Governments, in their respective capitals of Maseru and Rabat, the same day. The grant aid to Morocco will be used for the construction of a fishing boat repair dock and the purchase of machinery for digging irrigation canals.

Domestic Affairs

* Rice Liberalization Appears on Horizon

902A0253A Tokyo NIHON KEIZAI SHIMBUN in Japanese 16, 17, 19 Jul 90—FOR OFFICIAL USE ONLY

[Articles by Nikkei Rice Problem Coverage Section]

[16 Jul 90 p 1]

[Text] "Politics" Operate; Substantive Debate; A Crack in the Sanctuary; Increasing Foreign Pressure; Accelerating Adjustment

Nagatocho and Kasumigaseki are about to be freed from the rice taboo. The magic words were "complete self-

sufficiency" and "food security," but a free political debate on rice has finally started. On the private-sector level, moves to prepare for opening of the market have already accelerated. The sound of footfalls of an approaching "opening of the country in regard to rice" has already begun to be clearly audible.

Surplus Spawns a "Closed Country"

"It would be all right, would it not, to approve liberalization within a framework of about 5 percent of domestic demand," (Toshio Yamaguchi, chairman of the LDP's [Liberal Democratic Party] Special Research Commission on Economic Adjustment).

"Even looked at in international terms, the current situation, in which all political parties are chanting in unison that they will not import rice, is abnormal." (Yuichi Ichikawa, secretary general of the Komeito).

"The understanding of the leaders of all parties will be required in order to revise the Diet resolution (opposing liberalization). Right now we are racking our brains over how to work this out," (Sanji Muto, former JSP [Japan Socialist Party] vice chairman).

It is not all that long ago that Japan began the practice of completely meeting its own demand in rice. In 1969 increased production started to get on track. In that year, though only on the small scale of 5,000 hectares, the government put into practice an emergency adjustment of rice production (reduction of rice-paddy acreage) for the first time in history.

Accompanying implementation of the acreage reduction, the amount of rice (including semifinished articles) imported by Japan in 1969 decreased sharply from the previous year's 265,000 tons to 48,000 tons. This is because the government adopted a "closed country policy" aimed at a balance of supply and demand inside Japan. The system of Japan meeting its own demand completely did not begin with the objective of food security; it was the result of an agricultural policy aimed at controlling rice surpluses.

If even a part of the rice market is opened up at a time when a decline in consumption and excess supply continue as a trend, the situation will become more severe for rice farmers and the Ministry of Agriculture, Forestry and Fisheries. Even if Japan imports 5 percent (500,000 tons) as Toshio Yamaguchi says, it would require reducing acreage by an additional 100,000 hectares. The area of land removed from production has already reached 830,000 hectares (FY90), which corresponds to one-third of all wet paddy land.

However, unless acreage is limited, the price of rice will fall sharply, centered on rice which is sent from the farmer directly to the rice wholesaler. Therein lies the reason why politicians, administrators and producers have united and brandished the slogans "complete self-sufficiency" and "food security."

But in GATT's Uruguay Round, there was no support whatsoever for Japan's position, which joined together complete self-sufficiency in rice and food security.

The Focal Point of the Prime Minister's September Visit to America

Discussion in the agricultural negotiations has progressed centered on a "tariff-use" plan, under which non-tariff impediments to imports would be replaced by tariffs, which would be reduced in stages. Even Japan, which turned its back on America and the European Community (EC) and did not take its place at the discussion table until the very end, is trying to get into a common arena, with such conditions as emergency restrictions when sudden price changes occur. But in regard to rice, Japan is still seeking to have an import ban approved outside of that framework. It is the government's last-resort policy for dealing with it, since it must endure pressure from outside, which holds that "the agricultural negotiations will influence the success or failure of the Uruguay Round," (U.S. President Bush).

Japan will announce this policy at the agricultural negotiations which will begin in Geneva on the 23d, but even if "the use of tariffs" is accepted, there is no guarantee that the system of complete self-sufficiency in rice can remain unscathed. If it is introduced into a tariff-use plan, it will become impossible to adopt the idea of an import ban on the volume side. If it is outside the framework of tariff-use plan, "regulation" of volume will be sanctioned, but in the current situation, with even the Republic of Korea and Switzerland, which belong to the same importing country group as Japan, setting forth a posture which accepts the idea of an obligation for minimum imports (minimum access), it is probably an impossible proposition, internationally, for Japan to continue to attain the same wholesale ban on imports it has had up to now.

Apart from a segment of Diet members who are hard-liners on rice, politicians and administrators have realized by reason that the time to open the country is impending. Japan, which receives the most benefit in the continuation of the system of free trade, cannot hold fast to being a closed country, even if rice is its staple food. With the Yamaguchi statement, which followed the Komeito's argument for partial liberalization, cracks developed in "the sacred precinct," and "all at once water began to flow" (government source).

The scenario of a visit by Prime Minister Kaifu to America in September, and settlement of the rice question at a U.S.-Japan summit conference has also begun to surface. The Ministry of Agriculture, Forestry and Fisheries was poised to begin domestic adjustment toward

opening the rice market after it had ascertained what the fate of the tariff-use plan at the Uruguay Round, but it can be said that its moves accelerated rapidly because the political reality emerged.

Looking toward the Uruguay Round at the end of the year, heated debate is expected, including also agricultural organizations. There are some who think the rice question will develop into factional rivalry within the LDP.

A "Declaration of Complete Liberalization"

The problem can be said to lie in the question of how to depict the form of Japanese agriculture after the opening of the country in regard to rice without being carried away by emotional arguments.

Chiba University Professor (Yasuhiko Yuize), who is also an old boy of the Ministry of Agriculture, Forestry and Fisheries, points out that "it may be more beneficial strategically for Japan to declare overall liberalization, after having set up a firm commitment to delay until the beginning of the 21st century." America does not want this only as a place to sell the rice which it produces; it is also seeking a clear indication of Japan opening the market as ammunition for pressing the EC, which is negative toward reducing agricultural protection, to give ground, so there is a good possibility that America would welcome "a future overall opening" more than "a real partial opening."

For Japanese agriculture too, if agreement is possible on the period of delay, it will be possible to plan for steady agricultural administration. There may be some sense in (Yuize's) proposal that "during that interval" Japan should promote a "breaking away from rice" and "strengthening of competitiveness" of Japanese agriculture.

[17 Jul 90 p 1]

[Text] **Business Gets a Jump: Preparations for "That Time" Accelerate; Imports of Processed Items Increase Rapidly**

At Nomura Company, a leading American rice company which has its headquarters on the outskirts of San Francisco, I saw a mountain of namecards of Japanese businessmen. There were appeared to about 200. "Every Japanese trading company that you know should be included," Company president George Okamoto winked.

The Nomura Company has 9,200 hectares of wet rice paddies. An amount equal to approximately 10,000 average Japanese rice-growing households. Most of the rice grown in the vast rice paddies is the same Japonica (short and medium grain) variety which is produced in Japan. It is "Kokuho Rose," which has the reputation of tasting good.

Less Than One-Half the Price of Government Rice

In addition to tasting good, it is cheap. At local supermarkets it sells at 5 pounds (2.25 kilograms) for $2.49. Even compared to the cheapest government rice in Japan, it is less than one-half. As the debate on opening the rice market has risen, the reconnoitering parties to America have become investigative committees, and now business negotiation teams are going around visiting rice farmers. "Most companies want to undertake exclusive importation after the market opens," (President Okamoto).

Test cultivation of koshihikari and sasanishiki, two varieties of rice that are popular in Japan, has already progressed in paddies in the suburbs of Sacramento, California. There are also many farmers who know a great deal about the Japanese rice market, and they are taking action steadily to prepare for opening of the market.

At the level of manufacturers for whom rice is a raw material, "the opening of the country" has already taken on a real form. Ozeki Shuzo Co. Ltd. (a sake brewery) expanded to America in 1979. The factory shipment price of the pure U.S. sake that it produces at its Hollister California plant is $3.47 per (750 milliliter) bottle, so it is one-half the price of sake made in Japan. Since the Japanese wine tax is high, it becomes a bit expensive if sold in Japan, but factory director Tomio Kondo says, "Everyone says it tastes better than Japanese sake." There is an unending stream of Japanese trading companies which come with the request "we would like to import it by all means." Following after Ozeki Shuzo, such breweries as Takara Shuzo Co., Ltd. are building plants in California in rapid succession.

American Sunny Foods Inc. of Stockton, California makes the rice flour which becomes the raw material for such rice confection as rice-cake cubes, and is exporting it to Japan in the form of a "preparation" mixed together with sugar and powdered skim milk. This company was established by Japanese rice wholesalers, grain flour companies and so on.

The amount of rice-flour preparation inported in 1989 was approximately 21,300 tons, and amounted to one-fourth the volume of Japanese demand for rice flour. It will probably grow further from 1990 onward. Slighting the government policy which holds that "we will not let in even one grain of rice," rice which has changed its form has begun to flow into the Japanese market.

A Reaction Rejecting Expensive Rice

This spring the National Federation of Rice Confectioners gave notice to the Food Agency and the National Federation of Agricultural Cooperative Associations (Zenno), which is the seller, that it would decline to purchase 9,500 tons of its allotment of 73,600 tons of glutinous rice produced in 1989 which is distributed directly from the farmer to the wholesaler. It was because the federation's manufacturers, which had switched to

inexpensive rice-flour preparation for their raw material, had shown a reaction rejecting expensive glutinous rice.

If one takes the weighted average of the price of rice which is distributed directly from the farmer to the wholesaler, which is used for rice-cake cubes, and the price of glutinous rice which is used for other uses (rice used other than as a staple food), it is approximately Y350,000 per ton, all of double rice produced in Thailand or America. While Executive Director (Koichi) Kumagai of the National Federation of Rice Confectioners says "we oppose the importing of rice," he says "a food control system which forces the use of expensive rice in processing is clearly distorted."

"We should realize importation of rice used as raw material for processing"—when, at a general meeting of the National Federation of Miso Manufacturers' Cooperative Associations which was held in May, some of those present proposed this, general applause broke out. In deference to the Food Agency and Zenno, it was not incorporated in a resolution of the general meeting, but looking back on it an executive of the federation says, "Had it been immediately after the Komeito's statement in June approving a partial opening of the market, we might have made it a resolution."

Distortion Which Cannot Be Hidden

Actually, "opening of the country" is progressing steadily even in the field of staple food. Honke Kamadoya (Kobe), the largest chain for prepared box lunches, which has 2,000 stores nationwide, began selling pilaf with California rice in July 1988. It put in 20 percent, or more, shrimp, and imported it as a "prepared food." It made thorough preparations for putting it on the market by accumulating know-how in Honolulu, where it opened a store in 1985.

Because of the local price of shrimp, and a sharp rise in personnel costs, it interrupted importation beginning at the end of last year, but its big advantage was the cheapness of the purchase price of rice which was one-fourth that of Japan. Executive Director (Yoshikuni) Yasuda says, "The taste is no problem whatsoever. We want to wait for the opening of the market."

Needless to say, behind the appearance of a "revolt" by industry circles with a demand for rice, which had been protected by the food-control system, there lies criticism of a closed-country with regard to rice, in which market mechanisms do not operate, and with Zenno selling rice at a high price which ignores supply and demand, practical allotment to wholesalers, and so on. Of course there is pressure from outside, but in Japan, too, it has become difficult to hide the distortion.

A "venue for price formation," which will introduce market mechanisms into trade in rice distributed directly from farmers to wholesalers, will start this autumn under the auspices of the Food Agency. Putting aside the official policy of the Staple Food Control Act, there appears to be tacit agreement that opening of the market is a matter of time in both officialdom and the private sector. The trend is particularly rapid in the private sector level, which is sensitive to the current of the times.

[19 Jul 90 p 1]

[Text] **Reality and Appearance: Producing Areas Start Rushing To Respond; Gap With Agricultural Cooperative Upper Echelons Widens**

"Next spring unified local elections are scheduled, so we shall have to make an important decision depending on how they turn out." Several days after the Komeito announced that it was studying partial liberalization of rice, the National Federation for Liaison of Farmers' Agricultural Administration Movement Organizations (acting chairman: Hidetaka Ogata), a nationwide organization of the political federations of agricultural cooperatives of each prefecture and a "politically detached force" of the Central Union of Agricultural Cooperatives, issued such a statement. The content could also be taken as "intimidation."

Confining Within the Official Argument

Agriculture Minister Takashi Sato (currently chairman of the LDP's Research Commission on Comprehensive Agriculture), who in 1988 decided to accept liberalization of beef and oranges, was criticized by farmers as "having lied," and is said to have precipitated a "lack of confidence in agricultural administration." The current minister of agriculture, Tomio Yamamoto, too, who has made a public pledge on food security and complete self-sufficiency in rice, was reminded emphatically, "Surely you would not tell a lie, would you." It happened on the 4th of this month in open-air negotiations in front of the meeting hall of the Rice Price Council, which deliberates on the producer price of rice (the price at which rice is sold to the government).

The environment surrounding rice has changed greatly. It is also a fact that farmers and agricultural cooperative executives who would never say it aloud, but who think that "looking at it objectively, the opening of the rice market is a question of time," have grown in number.

But it is the agricultural organizations, themselves, which are confining politicians to an official argument by the "intimidation of votes." In the upper house election last summer, the LDP suffered a miserable defeat because of the reaction of agricultural cooperatives to the liberalization of beef and oranges.

But the reality of agricultural negotiations up to now, is that however much they attempted to bind politicians by votes, the barriers have been leveled, one by one.

Development of the Problem of Opening the Rice Market

September 1989	The Rice Manufacturers of America (RMA) files suit against the U.S. trade representative concerning Japan's system of trade in rice
October	U.S. Trade Representative Yeutter rejects the suit
September 1988	The RMA again files suit against Japan; Both houses of the Diet resolve "opposition to liberalization of rice
October	Yeutter rejects a second suit by the RMA on condition of a positive Japanese response in the mid-term review session of the Uruguay Round
December	The mid-term review session of the Uruguay Round. A conclusion on the agriculture field is put off
April 1989	Interim agreement reached in agriculture field in same round
July	LDP suffers great defeat in Upper House election
January 1990	Agriculture Secretary Yeutter requests opening of rice market at meeting of agriculture ministers of five nations; International Trade and Industry Minister Matsunaga: "The idea of not importing even one grain of rice is not valid in world terms."; Government reaffirms policy of self-sufficiency in rice at cabinet meeting
February	LDP secures majority in lower house election
May	Secretary Yeutter sends letter of protest to Agriculture Minister Yamamoto on problem of opening rice market
June	Agriculture Minister Yamamoto replies to Secretary Yeutter
July	For the first time, U.S. President Bush refers to the problem of opening Japan's rice market at a U.S.-Japan summit conference; Chairman Yamaguchi of the LDP's special Research Commmittee on Economic Research makes statement accepting partial liberalization; LDP Policy Research Council Chairman Kato indicates inclination to review restraining power of Diet resolution opposing liberalization of rice

(Note:) All titles are those at the time

Agriculture, Too, Will Be Carried on by Corporations

If agricultural organizations keep asserting the official line they do not suffer a negative reaction from within the organization, but their response to reality is delayed. There have begun to appear agricultural managers who prepare for "the opening of the country," saying that they cannot keep depending on that kind of agricultural cooperative.

Sakatani Nosan (representative: Minoru Sakatani) of Fukuno machi, Toyama Prefecture, began contract farming by leasing farmland from surrounding farmers, expanded its scale gradually, and now, with an area of 170 hectares just for growing rice, has become as large as 250 times the average cultivated area for one Japanese farm household. It is handled by a staff of 11 and an annual total of 600 part-time workers, and harvests 700 tons each year.

Managing Director Kazunori Okumura says with great confidence, "By a simple comparison of costs we are no match, but if you consider the difference in quality, we will be able to compete even if American and Thai rice comes in." This kind of agricultural corporation is still an exception, but he believes that "concentration of farming land will progress because of liberalization, so it is possible that large-scale management will spring up here and there."

Ichimon Yamaguchi, former chairman of the Japan Federation of Cultural and Welfare Agricultural Cooperative Organizations, who from within has continued to appeal for reform of agricultural cooperatives, voices the criticism that "Such higher organizations as Zenchu are only trying to prolong the life of the organizations by intentionally developing an official argument for the sake of appearance."

"As the generational change of cooperative members continued, the cooperative spirit declined and they reached the point of disliking the restrictions of such an organization. Even the officers do not have too much practical understanding of the cooperative movement, so their interest is inclined toward political action such as elections."

In that case, what kind of organization should an agricultural cooperative be? Yamaguchi's opinion is that "it should not be a huge organization, it should be an organization mainly of unit agricultural cooperatives in which competition occurs actively in accordance with the special characteristics of the region."

Making Consumers Into Allies

In point of fact, there are many agricultural cooperative units which, while outwardly following the policy of higher echelons, have begun to move with an eye to the future. The Muika Machi Agricultural Cooperative in Niigata Prefecture, which produces rice, declared a "Koshihikari Republic." It prepared for an influx of U.S.-produced rice by appealing to the public that it is growing the highest grade rice in Japan.

The Takamatsu Agricutural Cooperative in Okayama City is undertaking organic cultivation, so it is gaining the support of consumers who emphasize safety. The Sekijo Machi Agricultural Cooperative in Ibaraki Prefecture has embarked upon "electronic marketing direct from the producer," which sells koshihikari directly to consumers by using personal computer communications. In each case, it is a tactic of trying by one's own efforts to make the consumer, who is the last stronghold, an ally.

According to the Rice Data Bank, an information company regarding rice which is located in Tokyo's Kanda, this year the proportion of area growing koshihikari, which is superior to California rice as far as flavor is concerned, is 28 percent, an increase of 11 percent compared with 5 years ago. If we include such koshihikari-related varieties of rice as akitakomachi and hinohikari, the proportion exceeds 40 percent.

Vice President Yoshiharu Nishiguchi of Rice Data Bank points out that for all practical purposes people are rushing to prepare for liberalization, saying "There should not be expected that places which cannot win in the competition between growing areas within Japan will be able to win over imported rice. Even if it is liberalized, every prefecture will be half compelled to grow a koshihikari-related variety which can compete as far as quality is concerned."

As the aging of society progresses, Japanese agriculture will not be able to lower costs as it might wish. Even so, advanced growing areas have begun to look toward the time after agricultural liberalization. The gap between them and upper echelon agricultural cooperative organizations keeps widening. How long will the framework of "the legs (growing areas) move, but the head (upper agricultural cooperative organizations) does not move" continue.

Poll Shows Kaifu Cabinet's Popularity Growing

OW0209135990 Tokyo YOMIURI SHIMBUN in Japanese 1 Sep 90 Morning Edition p 1—FOR OFFICIAL USE ONLY

[Text] According to a poll conducted by YOMIURI SHIMBUN on 25 and 26 August, the popularity of the Kaifu cabinet grew 2.5 percent from the previous month to 62.5 percent [in August]. This is the highest degree of popularity recorded by any cabinet since the end of World War II, surpassing even that for the Tanaka cabinet in October 1972 shortly after the cabinet was inaugurated.

The support for the Kaifu cabinet, which was 38 percent shortly after its start in August last year, came up to the level of 50 percent in March this year, and recorded 60.0 percent in July. The renewal of the record this time means that the popularity rate grew for three consecutive months. The opinion poll also showed that the rate of those not supporting the Kaifu cabinet fell to 21.8 percent by 1.0 percent from the previous month.

Among reasons given for supporting the Kaifu cabinet, the first-ranked one was "because it is a Liberal Democratic Party cabinet," with 37.4 percent of respondents giving that reason. The reason "because of its diplomatic stance" which was polled as the No. 1 reason for supporting the cabinet the previous month was the No. 2 reason this time. With 31.2 percent of the respondents giving this as their reason, this rate indicates a drop of 9.4 percent from the previous month. Other reasons given were as follows: No. 3, "because of its economic policy" with 31.2 percent, an increase of 4 percent; followed by "its political ethics and political reform" with 19.8 percent, "its tax reform" with 11.2 percent, and "its administrative and financial reform" with 10.9 percent.

Fewer people gave "its diplomatic stance" as the reason for their support of the cabinet. However, the figure still represents a growth over 30.9 percent in June. There was criticism about the response of the government in dealing with the Middle East crisis, saying "responses are slow." However, it can be said that the people are giving a high score to the prime minister's attitude displayed by skipping his summer vacation and sweating out efforts to address the problem.

In addition to the fact that there are growing numbers of those who support his cabinet because of its "economic policy," "political ethics and political reform" apparently also helped elevate overall popularity for the cabinet.

* Journal Criticizes Bureaucratic Obfuscation

902B0205A Tokyo ASAHI JOURNAL in Japanese 3 Aug 90 pp 88-91—FOR OFFICIAL USE ONLY

[Article by Tetsuya Shibayama, ASAHI JOURNAL reporter]

[Text] The American film "Black Rain," which dealt with the Japanese police bureaucracy, has been talked about in the United States as a work that has also depicted "friction between U.S. and Japanese bureaucrats." Nevertheless, the aspect of U.S.-Japan friction has been overlooked in Japan because of excessive emphasis on the fact that this was Yusaku Matsuda's last film.

The story goes as follows: An American detective reluctantly accompanies a Japanese, arrested as a suspect in a case of counterfeit dollar bills, to the Osaka airport. As soon as the airplane touches down, the suspect is kidnapped by a group of yakuzas who have misrepresented themselves as Japanese police. Attempts by the angry detective to recapture the prisoner are thwarted by the thick bureaucratic wall of the Japanese police as well as their sectionalism. The passage of time may be felt in the changed roles of the character Ken [Takakura] who formerly aided outlaws; in this film he is now a foreigner's helper.

Several key sentences symbolic of the U.S.-Japan frictions appear in the film including lines such as "Because of this (bureaucracy), talent in Japan is crushed" or the Osaka yakuza's speech "The United States once made the black rain fall on Japan and defeated us. We are now paying back for that time (by spreading counterfeit dollar bills)."

The idea of counterfeit bills spread by the Japanese to threaten American society is a spooky one, as if it were a metaphor for the present state of the U.S.-Japan relationship. While the film shows a certain malice toward and easy stereotypes of the Japanese, it is an interesting one in the sense that it symbolizes the image of the modern Japanese bureaucracy as viewed by Americans.

Mr. Masao Kunihiro, a member of the House of Councillors pointed out (ASAHI JOURNAL, 6 July) that "Japan is not a nation of democracy, but of bureaucracy;

namely, a nation where bureaucrats rather than the public or politicians dominate." True, the Japanese bureaucratic system is an abnormally enlarged one compared with those of other advanced nations that champion democracy in the sense that the system monopolizes a vast amount of information not available to the public, and holds the power to approve or disapprove over all the problem areas.

Many problems stem from this situation: First of all, there is the tendency by the bureaucrats to hold control in their hands by their unwillingness to inform the public, to withhold from that public as many of the facts as possible, and to hide facts that would interfere with their manipulation of public opinion.

As has been pointed out by this journal, as well as by others, one display of this tendency is the translation of SII (Structural Impediments Initiative) as "Conference on Structural Problems" which omits the word "impediments." ASAHI JOURNAL's 9 March issue revealed MITI's [Ministry of International Trade and Industry] answer to questions posed about the term used in the translation: "We are not linguists." When asked again, the answer this time by the Second North American Section of the Ministry of Foreign Affairs was to repeat the previous one: "No problem exists in translating "impediments" as "problems."

The excellent quality of Japanese bureaucrats has been internationally recognized. However, the phenomenon of a reversal of foreign attitudes may be making its appearance now, as seen in "Black Rain": "The bureaucratic system of Japan is a bad one."

The extensive demands the United States has presented at the SII can be interpreted as an expression of mistrust of a Japanese political system that revolves around the axis of the nation's bureaucratic establishment. The United States has managed to poke energetically at the weak points of a Japanese bureaucracy that has been unable to cope with the present macroscopic situation, hampered as it is by such bottlenecks as vertically split administrative structure and immobility resulting from being mired in ministerial self-interest.

Before the Houston summit, and after the news that President Bush had demanded from Prime Minister Kaifu an opening of the Japanese market to U.S. rice, comments from Chief Cabinet Secretary Sakamoto were publicized. Following these comments, arguments were voiced, one after another, in favor of a partial liberalization of rice imports; these included misspoken statements by several LDP [Liberal Democratic Party] Diet members, including Yamaguchi. Transparent behind this example of opinion maneuvering is an illustration of the traditional Japanese political method that has been handed down to us: an ultimate intent to "open the market to rice" without admission of that fact, that is an accumulation of faits accomplis in small installments.

At present the general observation is that the liberalization of rice imports will be made public after the Great Thanksgiving Service (*Daijosai*) at the time of the emperor's enthronement this fall. The real reason for the delay by the political and bureaucratic world may be the feeling that rice as the symbol of Japan cannot be sold out to foreigners until after *Daijosai*.

Mr. Tetsuhisa Matsuzaki, representative of the Center for the Analysis of Modern Politics, once lectured at the Matsushita School of Economics and Politics about the proper way to read "white papers." The gist of his lecture amounted to "how to read between the lines of bureaucratic documents." Why does there exist a need to give such lectures?

"Japanese bureaucrats never utter a word that would antagonize the interests of an agency that they belong to. If there existed a policy that would benefit the nation, bureaucrats could not adopt it if that policy worked against the interests of their own agency. When a need is present for a comprehensive measure that goes beyond the framework of a specific ministry or agency, cooperative preparation of a document is resorted to. In such a case, every ministry or agency affected keeps a sharp eye on every letter and every rhetorical word in the document. Differences in authorization are born depending on the word chosen, on where a punctuation mark is placed, or where 'etc.' is inserted. While to an outsider's eye it is difficult to detect such nuances, the concerned party understands them well. Bureaucratic language consists of rhetorical rivalry condensed behind a policy. In the background of the rhetoric lies a history of conflict between ministries and agencies, a process of policy change, and the accumulation of administrative experience. For example, take the case of the decision about the amount of total investment in public works, whether it should be 415 or 430 trillion yen; if the difference was only 5 trillion yen, why did the decision have to be made by the prime minister? Viewed in the context of the history of public works investment, however, and looking back at the circumstances of the zigzagging ad hoc committee decisions of the eighties, the 5 trillion yen figure turns out to be quite a significant one from both the Japanese and the U.S. angles."

Bureaucratic language is not easily understandable unless interpreted by specialists who have inside knowledge, a phenomenon not limited to Japan. The language of foreign bureaucrats turns out to pose similar problems. Mr. Kenichi Takemura has presented the following interpretations when quoting from articles in LE MONDE: "As a general principle—negative; expressed satisfaction—a serious situation may develop; will be kept in mind—will be ignored; confirmed—does not matter."

A Vertically Split Structure Makes Horizontal Adjustment Difficult

Granting the general incomprehensibility of bureaucratic language, the Japanese version is the worst. As pointed out by Mr. Matsuzaki, bound as they are by turf-defined special interests, Japanese bureaucrats

cannot make policy that goes beyond the boundaries of ministries, agencies or sections. The main reason behind this phenomenon appears to be an absence of the adjusting function that horizontally connects a policy between the colliding turf interests of vertically split bureaucratic organizations.

"The present form of ministries and agencies has basically remained the same since 1945 when the governmental reorganization took place. This governmental structure suffers from the problem that it is unable to respond to altered circumstances brought about by changing times. Thus the existing framework of Japanese politics has been unable to begin to deal with the problem of large-scale retail stores. The time has come to reorganize the whole structure including the ways of politics. Otherwise, problem-containing domestic conditions cannot be ameliorated."

Unless a new set of policies emerge after the barriers between ministries and agencies have been removed, the government will not be able to take appropriate measures to address the new and global problems of U.S.-Japan economic friction, land or environment.

Mr. Matsuzaki proposes the following: "Japanese officials begin their careers at ministries and agencies such as the Ministry of Finance or MITI; this would be lifetime employment since posts obtained through "*amakudari*" [placement after retirement of a bureaucrat of high rank in a well-paying job in the private sector] can be counted as an extension of a bureaucratic career. The present system is not conducive to an awareness that one belongs to a broader Japanese civil service. Cross ministerial exchange of personnel is not now feasible. If the system were changed to something similar to that of Great Britain where one enters into the service of a broad administrative organization, an official could be transferred to any place within the system. The shortcomings of a vertically split administrative system could thereby be corrected, thereby also to some extent enhancing the officials' sense of identity."

According to Counselor to the Japanese Federation of Consumers Mr. Naoichi Takeuchi, an ex-official of the Ministry of Agriculture who has authored the book *Japan's Bureaucrats*, "there has been no change in the disposition of officialdom if one compares conditions today with those of 20 years ago, the time when I was a bureaucrat."

"The difficulty in understanding laws written by officials does not derive as much from the precision of their rhetoric, but rather from the fact that officials consciously make that language hard to understand in order to obfuscate the laws' contents; it is their way of avoiding getting into trouble. Bureaucrats do not think of the persons to whom the authority to govern should properly belong. Dear to their hearts is the preservation of their own interests, which are not even the interests of their own ministries. If any interest beyond their own troubles the bureaucrats' minds, it would at most be the interest of their own sections. It is unacceptable that such officials nevertheless imagine themselves to be the pillar of the nation; their conceit is beyond all bounds. In extreme cases, even some who were educated during the postwar era may be heard to utter extraordinary words that seem to reject the principles of democracy."

According to Mr. Takeuchi, whose contention it is that "the notion of the high quality of Japanese officials is only a myth created by the mass media," bureaucrats are only interested in the following four goals: 1) to avoid budget reductions or 2) or reductions of staff, 3) to attain "*amakudari*," and 4) to become political candidates.

Unlike the case with local officials, no recall system exists at the level of national civil servants. Apart from the possibility of criminal punishment as was the case in the Recruit scandal, bureaucrats face no fear of losing their job. Bureaucrats wield their power as they prepare for "*amakudari*" and avoid earning the enmity of the industries they regulate. The base of bureaucratic power lies in their vast authority to approve or not. In a sense, this power places the people, to whom the power to govern should belong, under the regulation of officialdom. This is a case of putting the cart before the horse."

In Mr. Takeuchi's opinion, ex-officials who have turned into powerful members of the Diet and now sit at the nerve center of the LDP characteristically support bureaucratic control.

"The career course of bureaucrat to politician defines a kind of political cartel. A more desirable system might be patterned after the British one in which, once retired, ex-officials totally withdraw from participation in industry or politics; there should at least be a provision that prohibits an official from standing for election to political office for a certain period of time after retirement." Mr. Takeuchi states that the Japan Federation of Consumers plans the broad promotion of a movement to abolish the present political cartel.

Interaction With Different Systems Impossible

Mr. Yasushi Aoki, a cultural anthropologist, has stated the following views: "The Japanese bureaucratic system resembles those of socialist nations in the sense it does not allow personal decisions to be made nor to take measures that are based on human feelings. Even if one must communicate in difficult to understand bureaucratic language, one should do so with imagination and creativity. The language of United States officials may also be stereotyped, but there does exist there communication between officials and their society as well as room for personal decisions."

Mr. Aoki further states: "The Japanese bureaucratic system is solid but lacks the flexibility that would make interaction with different systems possible. Once a question of differences in custom or culture arises, our system throws up its hands. This is not only a problem with our bureaucracy but of an entire Japanese society which has

become permeated by the poison of bureaucratic qualities. The principal blame lies with an educational system in which the standard deviation value [used statistically to measure students' standing] is almighty. Those with the power to move Japanese society are regulation-bound persons who have patterned themselves after officials lacking imagination or creativity. In this sense, Japanese society is one in which people fundamentally lack freedom. At a time when the world's common sentiment is to favor a downsizing of government and a placement of emphasis on the importance of environmental preservation, Japan alone is moving against the current; one proof of this backwardness is given by the ongoing construction of a huge and gorgeous building for the Tokyo metropolitan government. The presence of this system which has failed to monitor beforehand problems of this type has aggravated our frictions with foreign nations."

As if crushed by the presence of a firm and strong bureaucratic system, the Japanese intelligentsia appear to be less critical of authority and to show less passion towards social causes when compared with the intelligentsia of Europe and the United States. A draining of imagination and creativity [by this system] results as well in the poor quality of our literature and art. The intellectual poverty in question, present despite materialistic affluence, envelops not only the bureaucratic world, but also the entirety of Japanese society.

While its economy continues to prosper Japan may be able to get by despite the condition of its society. However, what would happen if Japan should become poor? Surprisingly many express this fear in the following way: "In such a case, the first policy step to be taken will be to close the door, through measures such as restrictions on overseas travel or limits on the taking of yen from the country. Given the power of the bureaucracy, such a change of policy could be effected overnight. The repression of civil rights in China is a warning to us all."

When will the bureaucrats of Japan open up and transform themselves into officials who operate on a global scale?

Defense Affairs

* Deliberations To Begin on Defense Spending

902B0187A Tokyo TOKYO SHIMBUN in Japanese 17 Jul 90 p 5—FOR OFFICIAL USE ONLY

[Editorial: "Special Treatment for Unusual Defense Expenditures"]

[Text] The time for determining a rough estimate of the ceiling for next fiscal year's budget is approaching, but defense expenditures must not be decided lightly. In keeping with recent world trends, it is necessary for political decisions to be made with restraint.

At the recent summit conference of developed nations (the Houston summit) for the first time there was a noticeable lack of mention of the "Soviet menace" in political and economic declarations. In addition, the U.S. and Soviet military superpowers have been quick to set about reducing their military expenditures. The U.S. Senate Armed Services Committee proposed a further reduction of the proposed fiscal 1991 defense budget to an amount $18 billion (approx. 2.7 trillion yen) less than the government's request.

The number of military personnel and amount of equipment will also be sharply curtailed. Such trends in arms control are hardly limited to the United States and the Soviet Union, but include the advanced nations of Western Europe which are following suit and creating an international trend.

However, what about our country's military expenditures? The annual figure does not even amount to one-tenth of that of the United States, but the growth rate as compared to last fiscal year is extraordinarily high. When one examines the yearly growth rate over the past 15 years, the highest is 21.4 percent and the lowest is 5.2 percent, which illustrates that military expenditures are ever-expanding.

The U.S.-Soviet summit conference held at Malta which proclaimed the "End of the Cold War" was the turning-point in defense expenditure reductions. However, despite that, [Japan's] budget this year reached the 4 trillion yen level for the first time, a growth rate 6.1 percent higher than last year. Thus, unbeknownst to its citizens, Japan had reached a level of spending third in the world after the United States and the Soviets.

It is said that, "A car cannot be stopped instantly," which also holds true in the case of defense expenditures. In a long-term plan, putting in place the most up-to-date weaponry requires time from the point when it is ordered to the time when it is operational, and the cost is arranged so that it is covered over several fiscal years.

This year's budget happens to fall on the last year of the five-year program for the mid-term defense plan which precluded any sudden turn toward "restraint in defense spending."

Next fiscal year's defense budget will not be any less than this year's. Besides the necessity of paying off previous commitments made during the mid-term defense plan, there is also the "natural increase" due to the exchange rate having to be calculated with the lower yen, which means an increase in the price of imported equipment. Furthermore, the cost of personnel and provisions, which comprise 40 percent of the total, is certain to increase.

Even in this state of affairs, the Defense Agency's idea of deciding this year on implementation of the first year of the next five-year defense plan remains unchanged. This plan is to begin next year. The total price of the mid-term

defense plan was 18.4 trillion yen and by simple calculations the next one will cost a trillion yen more annually.

The worst possible scenario is considered to be the best defense strategy, but if this plan is carried out, there will be the impression, both at home and abroad, that our country is "taking off down our own path" in the world.

The main thing that the United States desires from Japan in the area of defense expenditures is that we increase our share of the burden of the costs of U.S. military stationed in Japan, and not that we become a bigger military power. Even former Deputy Prime Minister Kanemaru, who has the experience of being head of the Defense Agency expressed that "next year's defense budget should be frozen at this year's level" and that "any decision on the next five-year plan should be put off one year." Kanemaru's statement is appropriate and that is the direction in which we should proceed.

Beginning with the conference of Defense Agency directors general on the 17th [July], the real work of setting the ceiling on next year's budget will commence and more than ever before it will be necessary to grapple with the expenditure problem with great prudence due to its momentous influence internationally. One gets a strong impression that this fiscal year's budget was determined in a battle between the Finance Ministry and the Defense Agency. It could be said that it was determined by bureaucratic guidance and was totally lacking in adequate debate in the Diet and leadership from the prime minister.

It is only very recently that all the various parties of the opposition have had a meeting of the minds on the issue of "restraint in defense spending." The LDP [Liberal Democratic Party], including members of the defense *zoku* [clique] are only just becoming aware of the change in the international situation. For Prime Minister Kaifu, this budget formation will essentially be his first. It is to be hoped that the [amount of] defense expenditures will be a political decision made with good sense.

Economic Affairs

Rengo President Discusses Labor Movement

902B0175A Tokyo NIKKEI BUSINESS in Japanese 11 Jun 90 pp 72-75—FOR OFFICIAL USE ONLY

[Interview with Akira Yamagishi, president of Rengo (Japan Labor Confederation) by Hisao Sato, chief editor of NIKKEI BUSINESS; place and date not given; first paragraph NIKKEI BUSINESS introduction]

[Text] "We must take up the challenge for change in keeping with social common sense." Akira Yamagishi, president of the Japan Labor Confederation (Rengo), talks of the urgent business of establishing a new action philosophy to bring to reality a labor movement that has a common basis with all the people. He is using as a bad example, which should be avoided, "the Japan Socialist Party (JSP), which still clings to an outlook founded on 1950's values," and is groping for a way to resuscitate the political power of Rengo's 8 million members. (Hisao Sato, interviewer and chief editor of this magazine)

[Boxed Item] Akira Yamagishi. Born 18 July 1929 in Osaka, 60 years of age. In 1946 joined the Communications Ministry, entered Kanazawa Communications Training Institute, graduating in 1948. In 1949 became an executive committee member of the Japan Postal Workers Union, Toyama regional headquarters; in 1950 executive secretary for the Toyama Prefecture local of the All Japan Telecommunications Union; in 1967 a member of the All Japan Telecommunications central committee; in 1974 the secretary general; and in 1982 chairman of the central committee (current post). In 1985 became vice president of the Japan Labor Confederation, and since November 1989, president of the Japan Labor Confederation. [end box]

[NIKKEI BUSINESS] The movement for electoral system reform is urgent.

[Yamagishi] A certain centrist Liberal Democratic Party (LDP) member of the House of Representatives termed the system of single-member constituencies standing side-by-side with proportional representation in the lower house alarming. He said, "If that were to happen, money would be flying everywhere." Behind-the-scenes wrangling is intense in obtaining the party's nomination for proportional representation and in arriving at the precedence for entering names in the election register. With the principal members of the party holding life and death power over candidates, democratization within the party can only retrogress.

[NIKKEI BUSINESS] Is this the birth of plutocracy in a sense different from before?

[Yamagishi] Yes, yes. Furthermore, it could escalate. Many people connected with politics see it as a contentious issue. To begin with, it is terribly hard to believe all of a sudden the explanation that money is not needed because a single-member constituency system is an election between political parties. That is clear from looking at examples in other countries and at the appalling campaign in Amami Oshima. There is even the notion of applying the brakes by augmenting public funding for political activity, but that won't solve all the problems of a single-member constituency system.

Disgust for the JSP, Which Still Clings to a Fifties Outlook in Values

[NIKKEI BUSINESS] Will the current debate over reform of the electoral system have any effect on the concept of national Rengo political power that you have been advocating?

[Yamagishi] A system of single-member constituencies side-by-side with proportional representation is a system, so to speak, that has as its backdrop the issue of

the expectations of the two major political parties. If the Clean Government Party [Komeito], the Democratic Socialist Party [Minsha] and the United Social Democratic Party [Shaminren] do badly, they will acquire a shadowy existence and be unable to avoid being swallowed up by the JSP.

[NIKKEI BUSINESS] Is there not something you could set about doing?

[Yamagishi] Well, there is something of a limit to labor unions. We are, in sports terms, a rooting section. And although we are a rooting section which buys a ticket to watch, were we turned into unwilling players, it would be too comical. Until the players wake up, it is best just to keep a watch over things. Since it appears they are still asleep on the issue of the electoral system, we can only wait some more.

[NIKKEI BUSINESS] Amidst the talk of economics as first rate and politics as third rate, what ought to be the direction of political reform?

[Yamagishi] Although it would be quite appropriate to use a scalpel on political funding and the current electoral system, nevertheless it is extremely important for political parties as such to establish a set of ethics. Unless this is done, no matter how the system is toyed with, the job will inevitably be left unfinished. The convulsive times we are in notwithstanding, unless political parties demonstrate some sort of aggressive stance, there will be problems. More trial and error would do no harm. The furthest behind on this point are the JSP and the Japan Communist Party. Because they are still clinging to an outlook founded on 1950's values, it's only fitting that they have people running with whom we are fed up.

[NIKKEI BUSINESS] What is Rengo's position regarding the urgent policy question of the land tax system?

[Yamagishi] I think we have reached the point where a practical policy for increasing the supply of residential land and which deals with the questions of the land preservation tax for business, of ordinary residential land assessment designed to put limits on the urbanization of agricultural land, or of expediting the use of idle land, ought to be adopted. We have ended two years of discussions with the Japan Federation of Employers' Associations [Nikkeiren], with whom we see eye to eye on many points.

One result was the concept of collaborative company housing. It is a plan for Rengo and the Nikkeiren to set up a collaborative project corps to build company houses on unused community-use land near factories. To buy a house would require five times one's annual salary and if renting the rent would be less than 15 percent of one's monthly salary. With this as a Rengo policy standard, I hope things will reach the stage where we can actually draw up blueprints.

[NIKKEI BUSINESS] Has there been any progress toward labor-management cooperation with the Nikkeiren?

[Yamagishi] There is no fundamental difference in opinion between us and the Nikkeiren regarding land and price policies. One difference, though, does have to do with the issue of hours and wages on the labor-management level. As far as lowering prices is concerned, the Nikkeiren is proposing we pretty much hunker down. To realize this, they will inevitably point out that business must shed its own blood. Knowing that full well, they have adopted the position of challenging the price issue. This needs to be assessed.

However, because lowering prices brings about a corresponding rise in the standard of living, they have also taken the position of saying that merely getting a nominal wage increase somehow doesn't matter. This line of thinking is grossly impudent.

Tying Prices To Pay Hikes Isn't Equitable

[NIKKEI BUSINESS] Isn't that putting the cart before the horse?

[Yamagishi] The biggest questions between labor and management are labor hours and wages. Were we to treat them as only of secondary or tertiary importance, one would have to ask what sort of irresponsible attitude was at work. I say in all seriousness that we give these questions more weight than prices and grapple with them. The fruits of growth have been unjustly distributed in Japan. We are pointing out the importance of correcting this imbalance and here we are at odds with the Nikkeiren. When business is good, they broach the uncertainty of the future and preach the "philosophy of patience." When business is bad, they regain their sense of reality and begin talking about how patience is now appropriate. We won't realize fair distribution with such a concept.

[NIKKEI BUSINESS] Statistically speaking, it would seem that labor's share is declining year by year.

[Yamagishi] It is declining. Japan ranks last among advanced industrial nations. One cannot clearly glean this by looking at any single year, but viewing it over a span of 10 to 15 years, it is clear. The Nikkeiren, too, recognizes that labor's share is declining. However, they insist that the decline is not a particularly bad thing. But internationally we do compare unfavorably, not to mention the fact that this is a national disgrace. Although they say we are on a par with other advanced industrial nations, at best they have so much lead in their pants. Their hoped for way out is to turn straight off to prices and land.

[NIKKEI BUSINESS] The so-called "triple lows" created a way out during this year's spring labor offensive, whereupon they were pressed by management....

[Yamagishi] I don't think "pressed" has anything to do with it. Had it been earlier, there would have been very strong public criticism of their nine or 10 straight defeats, but I think the complete absence of that kind of talk this year was because they were seen to have put up a good fight.

The initial target for a wage hike was at the six-percent level. Yet, at the showdown stage, despite the earthquake of the triple lows, in the end labor was able to achieve 5.94 percent. Now, Nikkeiren's Chairman Suzuki has hastily announced that next year's wage hike must be less than five percent. Although there are spinners of tales after the fact claiming that Suzuki must have ulterior motives, the reality is that he is consistently advocating less than the five percent level. If we compare the results with the mutually targeted numbers, it is not clear to me that labor gets its fair share.

There Is Not Too Much Money Available, There Is Too Little Manufacturing

[NIKKEI BUSINESS] Would you say the spring labor offensive was productive, even if outside the numbers?

[Yamagishi] It's not just a matter of a simple outcome. The labor offensive this spring was a battle which brought into question the worth of the 8 million members of Rengo. Although it may have been by the skin of our teeth, in my judgement we demonstrated our worth.

[NIKKEI BUSINESS] It would seem that in the electric power, shipbuilding and heavy machinery industries, we are glimpsing splits with business.

[Yamagishi] There is the union side of things and there is the business side, and out of the positional differences imposed on each, it is no surprise that such a delicate situation should have come about. However, I think industrial strikes should be more aggressively pursued. If it comes to individual struggles with individual businesses, at first there will be a gap arising from differences in business results and the like, but meanwhile information will permeate down and equality will be achieved at the bottom level. If we are to work toward the original goal of the labor movement to raise living standards for everyone, then industrial strikes must have priority.

[NIKKEI BUSINESS] What do you think about the wage gap with financial organizations?

[Yamagishi] We've had a number of discussions with the Nikkeiren concerning strikes for higher wages, but even so it is still a major problem. At one time 70 percent of the university graduates in the technical disciplines entered manufacturing. Now, in a major turnabout, 70 percent are entering finance and insurance. If that trend continues, the issue will be the survival of manufacturing. The terribly urgent question is how to correct this disparity. In this we are in full accord with the Nikkeiren.

But, we still do not hold in common the perception that it isn't that the wages in the finance and insurance industries are too high, but that those in manufacturing are too low. I think that we have reached the stage where we must seriously investigate how to catch up with finance and insurance as quickly as possible.

[NIKKEI BUSINESS] Please tell us what the ideal image of the "good company" is from labor's point of view.

[Yamagishi] The really important thing is not just the so-called physical conditions. It is having dreams for the future, to be respected by society, to feel fulfilled by one's work. And out of that, while the idea that all a man needs is money to preserve his talent is indeed an exaggeration; money alone will solve nothing.

How does one create businesses which are attractive for the laborer or which give joy to work and to life? This is certainly not something a manager can accomplish by himself. A business has talent and the talent is the employee. Because that employee belongs to a labor union, it is indeed difficult to conceive of labor and management in the same wrestling ring.

[NIKKEI BUSINESS] Although there are increasing numbers of businesses attempting to bring about the joy of work, what position are the unions taking?

[Yamagishi] Wages according to rule of seniority are in reality a destructive process. I think that in industrial firms for which changes in the structure of the industry and the technological revolution are occurring at a very fast pace, the existing basis for pay according to seniority is daily being diluted. In fact, the overriding principal has become one of equal pay for equal work. It has to do with the weighty responsibility of seeing through to realization, with regard to labor, such things as the payment of wages, and of quality and quantity.

We are not in any way in a position to oppose pay according to ability. We are awake to that. Still, premises based on fair and objective standards are necessary. Supervisors having so much discretionary and subjective leeway must be opposed.

If Management Says Let's Use Common Sense, We Will Accept That Even If It Means Working Our Fingers to the Bone

[NIKKEI BUSINESS] What should be the future direction of the labor movement?

[Yamagishi] I think that if we ignore the challenge for change, the labor movement will have no future. Today we are in a period of drastic change. We need to issue bold challenges without fear of failure, even if by trial and error. That for now is the most important thing. I think we ought to judge matters by taking society's good sense as the norm, even in labor management relations. I think that if management proposes conducting matters according to common sense, even if that requires the pain of working our fingers to the bone, we must accept that and stand up to it. Because it is important to establish this kind of action philosophy, I am saying that we must toss out our old point of view which says these

matters must always be confrontational posturing because there is a natural opposing relationship between the labor and capitalist classes.

Even with regard to the spring offensive, in the future, raising wages alone is no good. Facing all the problems which shape our living environment, we want to go forward by creating the framework for life's overall struggle. If that comes about, we can build a labor movement which has a common basis for our countrymen of all classes.

* Plans for Reopening Investment Market Viewed

902A0223A Tokyo NIHON KEIZAI SHIMBUN in Japanese 22, 26, 27 Jun 90—FOR OFFICIAL USE ONLY

[Series of three articles on the reopening of the investment market entitled "Exploring Controversial Issues"]

[Morning 22 Jun 90 p 17]

[Text] [Boxed item] Business equity financing (raising capital by issuing stock) will be resumed the last 10 days of July after a four-month hiatus. By ignoring market realities during the broad fall in stock prices, capital procurement invited the unprecedented closing of the [equity] investment market; but as we approach the market's reopening, we ask: Have the dispositions of business, securities underwriting firms and the Finance Ministry now changed? And how is the stock market dealing with this? We shall explore these controversial issues. [end box]

The Fair Trade Commission [Koshuin] Is Watching Carefully

"As of now, the four companies have stopped gathering"—the 8th of this month, the day of the decision to reopen the investment market after its closure for three months, the customary and regular meetings between the underwriting officials of the four leading securities companies ended. Care was taken ad nauseam to give the impression that the securities companies, in watching the movements of the market, would reach independent judgements and therefore the reopening. However, in reality, the underwriting section chiefs of the four companies held almost daily consultations in negotiating the rules for reopening with the Finance Ministry.

At the end of May, the underwriting executives of Daiwa Securities, in behalf of the four companies, visited the Securities Bureau of the Finance Ministry to sound it out on proposed terms for reopening the investment market. The pitch was for a "restriction in amount" defined as a total monthly underwriting limit of 500 billion yen. But, the Finance Ministry rejected that on the spot.

In the process of arriving at the timing for reopening the investment market, the Finance Ministry, from time to time, emphasized the concept of respect for market conditions. This notwithstanding, in terms of respect for market conditions the rules proposed by the securities industry are far different from the uniform regulations proposed by the four leading securities companies.

The Finance Ministry's being scrupulously logical about taking market conditions seriously was due both to criticism by the United States in the Japan-United States Structural Impediments Initiative (SII) talks and to the liberalization of the market broached in the interim report of the Securities and Exchange Council. Until now, in reality, the Finance Ministry and the four leading underwriting companies have handled the investment market, although the Fair Trade Commission will now be helping out by watching carefully how things are done.

Business, wanting to make offerings, unanimously opposed the regulation plan of the leading securities companies. Criticism came thick and fast: "Business rightfully ought to be deciding issue limits" (Toray Industries); "With uniform regulation, are the securities companies not abandoning their underwriting function?" (Secom Co.).

Pressed in this fashion by the corps of issuers and the Finance Ministry, the leading securities companies gradually began embracing the idea that, "the four companies running everything obversely by themselves as they have prior to this" has lost currency. On the 8th, in another trial balloon to the Finance Ministry, they did their utmost to get rid of "total regulation" and weakened the regulatory coloring.

"Bursting In" Offerings Permitted

Fundamentally speaking, the cause of the March closing of the investment market was due to an inability to alter the terms of issue with some maneuverability despite the precipitous drops in the stock and debenture markets and for allowing massive "bursting in" [kakekomi] offerings on terms out of line with market conditions.

The aggregate total of corporate debt offerings from January to April of this year, including offerings of new shares for purchase, convertible corporate bonds and warrants (rights attached in the underwriting of new stocks), reached almost 6.7 trillion yen. This converts to an annual total of 20 trillion yen. The securities industry allowed fresh offerings by business, half knowing that amount of money, which nearly matched the total offering (24.8 trillion yen) for 1989, the previous high year, would accelerate the drop in market prices.

During this period, the base interest rate for convertible corporate debt was left as is for nearly a year, until this January, despite the rise in interest rates and the drop in stock prices.

Abolishing the Base Interest Rate System

The securities industry, with the reopening of the market in July, will make two reforms in the terms for convertible corporate debt offerings in order to bring about

greater consideration of market conditions. The first is to review the base interest rate each week, until now reviewed twice each month. Second, in accepting the will of the Finance Ministry, it was decided to set the external interest rate seven days following the offering resolution, which up to now had been set at the same time. We can conclude that, however tardy, they wanted to get started on at least some restructuring in order to demonstrate respect for market conditions. One leading securities company underwriter declared, "It wouldn't surprise me if in the future the base interest rate system for convertible corporate debt is abolished."

However, the question is whether or not securities companies can demonstrate their former underwriting ability. No matter how the method for deciding the base interest rate is constrained, if securities companies continue acting submissively to business, which tries to hold offering costs down as much as possible, the handwriting on the wall will read that respect for market conditions has gone down the drain.

Whether or not Japan's investment market, having recently come through the drama of a market closing, should have the maneuverability of the Euro-market to change terms for offerings when the market environment worsens, or to immediately cancel offerings if the situation warrants, or when things improve to immediately reopen, will depend on future moves by the securities industry.

[Morning 26 Jun 90 p 15]

[Text] "The idea that the same money can still be easily amassed through the investment market has taken root within business over the past several years. This mentality probably will not change."—a major securities underwriter warning of business behavior once the investment market reopens.

Symbol of Massive Issues

Business is criticizing the securities industry by saying, "The closure of the investment market was because the securities companies, who, out of their excessive competitiveness, continued a concentrated deluge of offerings." However, on the other hand, with some saying, "We took every advantage of that" (a transportation company chief financial officer), business, too, bears major responsibility.

The financial officer of one conglomerate company revealed, "Given the terms for offerings, as head of the finance department, I don't think it's a time for equity financing (raising capital by issuing stock). However, should other companies in the our industry turn to stock offerings, do you think the hearts of my company's top management won't start palpitating?"

Japanese business, in some ways strongly conformist in its thinking, will attempt to fall in line with other companies in raising capital. In fiscal 1989, six leading conglomerates turned to raising capital through convertible bonds (CB) and corporate debt bearing guaranteed rights to new stock (WB [warrant bond]) on a large scale. Major steel companies, too, took the plunge into raising capital at going market rates, such that within a period of less than six months, five companies, including Sumitomo Metal Industries, who took the lead in September of 1989, Kawasaki Steel Corp., Kobe Steel, Nippon Steel Corp., and then in February of this year, NKK.

With the reopening of the investment market decided, the total equity financing expected during the two-month period of July and August will reach 1.57 trillion yen, and by September, the total amount for businesses expecting to offer new issues will reach about 2 trillion yen.

With the road to raising capital through the investment market closed off for almost four months and thus forcing companies to begin capital spending planning as a prerequisite to equity financing, it appears that the conformist predisposition is still at work with the need to catch up with rival companies who have completed their equity financing.

Prospects That Preparations Will Not Take Stock Prices Into Account

Presently, as the vanguard, some 10 companies are moving forward with preparations for the reopening of the investment market, but with closing prices as of the 25th the value of a share of stock of nearly half these businesses, among them Sumitomo Metals, Ricoh, and Furukawa Electric, fell below the WB exercise value, CB convertible value and public subscription value of earlier issues.

The observation, "I think today's stock prices are at an inexcusable level with regard to the stockholder, but I have confidence in future business results, and I believe that conversion values will recover to their former levels" (president of Fujitsu), seems to reflect business feelings. However, even in the same business, an official of one machine tool maker made the criticism that, "new issues, which are crowding public offerings, exercise values and conversion stock values, ought to be regulated."

There are also those more reflective saying, "It is better for a market to be unrestricted and based on free principles. However, businesses which issue securities must think about equity financing more seriously," (Sony).

Those Calling for Regulation Are Falling Silent

During the independent rule making aimed at reopening the investment market, there was a debate in the securities industry about businesses which are disinclined to dividends or stock splits and over businesses with the problem of latent stock. However, in no time at all this kind of talk vanished. This is because, "Securities companies, too, have their weak side when it comes to

managers being pressured into deals by business," (a major securities underwriter).

A rush survey done by the NIHON KEIZAI SHIMBUN on the reopening of the investment market found that nearly half the businesses queried thought it satisfactory if the trend toward a public commitment to dividends were fostered. The opinion, "The time has come for taking another look at the rules for recouping return on investment that will take the investor's position seriously," (Nippon Oil) is still in the minority.

Although business is advocating a "free market," in bringing it to reality, business, as an issuer, cannot be lacking in "responsibility" toward its shareholders. It seems necessary for business to heed the warning that, "if business once again runs to equity financing and forgets that the offerings themselves are what give shape to the money market, without doubt the market will have a blow out," (underwriter for major securities).

Companies planning major equity financing issues on the reopening of the investment market:

- Dollar WB's: Sumitomo Metals, Daikyo Kanko, Furukawa Electric, Ricoh, Kao, Seiyu, Kuraray, JGC
- Swiss Franc CB's: Maruko
- Domestic CB's: Sekisui House, Miura Printing
- Domestic WB's: Sumitomo Metals, Sekisui House, Fujitsu

[Morning 27 Jun 90 p 17]

[Text] "The total offerings for any month should be limited to at most 300 billion yen."—viewpoint of an influential investment consultant.

Many businesses have said prior to the reopening of the investment market, "Thinking about regulation in a market that has progressed only this much is out of date" (Nissan Motors). And, for the two months of July and August equity financing (the raising of capital in conjunction with new stock offerings) will likely total 1.57 trillion yen. However, from the point of view of the money market, this is really tumultuous.

Latent Stock an Additional Source of Pressure

The trading high for Tokyo Stock Exchange first-section listed stocks now is a condition of gradual pauperization. Even if interest rates come down off their lofty perch, it is hard to achieve an optimistic outlook for the future. Those advocating "a 300 billion yen per month limit" are showing their distrust of business, which energizes equity financing unheeding of market conditions and which will not hesitate to generate an excess supply of offerings.

The problem is not just excess supply. The first shot marking the reopening of the investment market will be the issuing of corporate convertible debt and warrant debt, but with an excess supply of debt already issued, the market will be watching nervously.

For example, at present, the rate of conversion and exercise of three issues of domestic convertible corporate debt and 20 issues of dollar basis warrants with an exercise time limit of the end of 1991 is still less than one percent. Last year, there were many issues to float debt whose stock prices were severely crowding the value of the exercise rights and convertibles.

At the end of March ofthis year, the total number of shares of latent stock (warrants not yet converted to stock, rights not exercised and convertible corporate debt; the number of shares convertible into stock in the future; and the total listed in first-section and second-sections of the Tokyo Stock Exchange) was 23.176 billion shares (Nikko Research Center figures), which is about 7.5 percent of all issued stock.

It will not be easy to dissipate the alarm of investors, given this kind of problem with the pressure on supply and demand caused by latent stock.

Revolt by Life Insurance

(Jin) Ito, manager of daily securities operations for the Tokyo Branch of Smith-Barney, speculates that, "We are in an age when from now on the investor will be selective every time business seeks financing." Perhaps another way of saying the same things is that the speculative spirit peculiar to Japan of "buying financing issues," by which the managing underwriter expects to bolster stock prices, will cease having currency.

Many connected with the market are saying, "Concern over recouping return is now all the more necessary" as a condition for financing underwritten by investors. These voices will only get louder.

One after another, life insurance companies are announcing, "In view of current dividend levels, we must rethink our stock retention policies." The total retention of stock by insurance companies is by rule "held to less than 30 percent of total assets." Investment in common stocks from the end of March to the present was at the rate of 23.0 percent (the average of the seven leading companies). In addition, the share in special money trusts, seen at an average of around 3.5 percent, when totaled, is nearing the upper limit. A sense of selectivity in investment objects has strengthened, and one basis for selection is the policy on dividends by business.

"Issues expected to give stock dividends" are gaining in popularity on the stock market. The trend is to buy stocks with high multiples calculated by adding the total business capital reserve funds and capital funds in excess of stock par value and then seeing how many times the total found by multiplying the par value by the number of shares issued goes into that amount. We could term this the "stock dividend demand market." On the 26th, of the issues with stock dividend reserves ranking in the highest 10, four, including Rohm and Kyocera, had recovered to the prices they were at at the beginning of the year.

Mere increased cash and stock dividends cannot be said to constitute recouping of return. But we can say that

with effective use of capital procurement, growth in the rate of return can be realized and that part of the evaluation ought to be whether or not a company can repay its investors with higher prices for its stock.

President of (Picute) of Japan, (Atsuhito) Sawakami has stated that companies, in advance of financing, ought to endeavor to obtain concurrence from investors by making their plans public: 1) The concrete purpose for the capital being raised; 2) In how many years and to what extent the money will increase returns; and 3) How stockholders will be repaid.

Let's Make the Most of the Lessons from the "Closure"

Any raising of capital that ignores the money market—which with the investment market is the "other wheel on the cart"—has no currency. With the precipitous drop in stock prices at the beginning of the year, "a market-oriented issuing posture" (Suruo Nishimura, vice president of Yamaichi Securities) will be earnestly sought by both business and securities underwriting companies.

Massive issues that give little heed to the investor will destroy the supply and demand balance of the market. If that happens, the extraordinary lessons learned in the closing of the investment market will be lost. Not only that, business will have wrung its own neck.

Ranking According to Stock Dividend Reserves

Tokyo Exchange First Listing Stocks		Units/Multiple
1	Asahi Tsushin	33/77
2	Rohm Co., Ltd.	32/35
3	Kyocera Corp.	26/52
4	Canon Sales Co., Ltd.	23/13
5	C S K	22/43
6	Katokichi Co., Ltd.	20/93
7	Komori Printing Machinery Co., Ltd.	20/16
8	Intec Inc.	19/66
9	Ryosan Co., Ltd.	18/92
10	Sanrio Co., Ltd.	17/53
11	Toyo Exterior Co., Ltd.	16/63
12	Parco Co., Ltd.	16/32
13	Taka-Q Co., Ltd.	16/20
14	Kokusai Kogyo Co., Ltd.	16/48
15	Bandai Co., Ltd.	16/17
16	Noritz Corp.	16/06
17	S M C	15/80
18	Advantest Corp.	15/70
19	Pokka Corp.	15/43
20	Futaba Corp.	15/35

Note: The stock dividend reserves are calculated by the formula: ((capital reserve funds) plus (total capital funds in excess of par value)) divided by ((par value) times (amount of issued stock))

* Challenge Given to Consumer Movement

902B0193A Tokyo TOKYO SHIMBUN in Japanese 2 Jul 90 p 4—FOR OFFICIAL USE ONLY

[Article by Takeshi Sato, editor in chief]

[Text] What is the status of Japan's consumer movement? Because I am away from the center of news gathering, I cannot say precisely; but I feel that somehow it has become stagnate, so that I am quite worried about it.

Nowhere is the energy and action evident which after the war led to demonstration parades where the rice scoop was brandished. In the past, there was hardly a day when there was no news in the newspapers on such groups as the Housewives Federation, the Prefectural Housewives Federation, the Federation of Consumer Organizations, etc.; but now we rarely see anything about them.

After the "Japan Consumers' Federation," whose spectacular activities at one time made news, and the "Users' Union," which became embroiled in trouble, there seems to be no mood for any new consumers' organization to appear on stage. What is developing now is nothing more than the "Seikyo" [Livelihood Cooperative] which is taking root in the regions and in organizations. That and the "consumer centers" in government offices are about all that can be seen.

Why has the consumer movement gone so flat? Some people say, "With the continued high economic growth, consumers' awareness has totally changed. Have not consumer organizations completed their social mission?" But, I have serious doubts. There definitely is a problem that "the next leaders are not coming forward," even though the leadership of the consumer bodies has reached the time for a generational changeover. The dereliction of the existing leadership, which did not bring along the next generation and lagged behind the current of the times, cannot be denied.

Informed sources are pointing to the inadequacies of the consumer movement's economic backing, that is its funding for activities. To be sure, movements do not last long with only "volunteer activity." The enticements may be many; but the consumer movement never could hope to get assistance from industry.

Movements that are continuing are the "Livelihood Cooperative," which does have economic backing, and the government offices' "consumer centers," which are funded with taxes. I think that since we have been unable to build up such the movement that there would be a groundswell by consumers themselves has resulted in stagnation of the consumer movement. It seems that the

high growth rate has given everyone a middle-class consciousness and made the Japanese retrogress instead and ruined them.

The young "bachelor nobility" may feel that "the consumer movement and such things are uncouth." However, I think that the consumer movement did not finish its mission, but on the contrary is continuing to increase in importance.

From our readers we have had the interest issue and the unfairness of the consumption tax pointed out. The Large-Scale Retail Stores Law in the Japan-U.S. Structural Impediments Initiative [SII] talks, "the land problem," "global environmental issues," "education problems"—all are big issues for consumers.

Yet, the consumer organizations are standing silent. At least, they do not seem to be in any condition to make major moves.

Together with all of you, I would like to consider rebuilding the consumer movement as a watchdog of the liberal society.

Today, 2 July, is a "day for dialogue" with all of you. It will be held from 1 PM at the Chunichi Building, 2-1-4 Uchisaiwaicho, Chiyoda Ward, Tokyo. Please participate freely, those of you with views to express.

* Favorable Economic Trends Will Continue

902A0268A Tokyo NIHON KEIZAI SHIMBUN in Japanese30 Jul 90 p 3—FOR OFFICIAL USE ONLY

[Interview with Nomura Research Institute director, Toyomitsu Tamao by Nikkei Tokyo securities division deputy chief, Takeshi Sonomoto; place and date not given; first paragraph is NIHON KEIZAI introduction]

[Text] Economic prosperity is continuing, and some observations are increasingly being made that it is even greater than that of the postwar period referred to as "Izanagi boom." What is the future outlook for business results which, blessed with a good economic environment, have maintained favorable levels until now? And what about the uneasiness in some quarters regarding a gap in profits among certain types of industries? We asked Mr. Toyomitsu Tamao, director of Nomura Research Institute.

Business Results Will Continue to be Favorable

Toward a Five-Year Consecutive Profit Increase in the Manufacturing Industry

[NIHON KEIZAI SHIMBUN] Business results, which reflect our economic prosperity continued to be favorable into fiscal 1989. What is in store for the future?

[Tamao] "We are predicting an increase in 1990 of 1.3 percent in current profits over last year among the 362 companies listed in the first section of the Tokyo Stock Exchange. This is a 7.3 percent slower growth than 1989, but if we exclude industries easily influenced by fluctuations in the currency market, such as the oil and electric power industries, the increase in earnings becomes 4.8 percent. Moreover, this earnings estimate is rather firm."

[NIHON KEIZAI SHIMBUN] It would appear that the length of the current period of profit gains will rival that of the so-called "Izanagi boom."

[Tamao] "If you look at only the current profits from the manufacturing industry, which is sensitive to trends in the economy, profits in fiscal 1990 look like they will increase by 3.4 percent. Moreover, we might even be able to attain an increase of 8.5 percent in 1991. At the time of the 'Izanagi boom,' which recorded the largest economic growth since the end of the war, the manufacturing industry had four consecutive years of increased earnings. Now, if we can maintain this growth on into 1991 as well as this year, we will break that record."

Strengthened Resistance to a Rise in Interest Rates

[NIHON KEIZAI SHIMBUN] What are elements that support favorable business results?

[Tamao] "Investment in private facilities bolstered by labor shortages and greater access to information in addition to greater individual consumption demand created by trends toward larger and more luxurious items have continued to be helpful. Of course, one must take into account the contribution made by simultaneous worldwide economic expansion. Also, the effect of structural revisions have permeated the industrial sector as a whole. For example, in the steel industry, the number of operating blast furnaces is presently 16 as opposed to 24 before the revisions. The chemical, ceramic, and paper/pulp industries are all proceeding with revisions of their earning-power. All of these materials makers are expected to have reduced earnings, but such decreases will be at a much smaller rate than in the past.

"Another element adding to profit stability are revisions of the nature of financial affairs in general and the accompanying improvement in financial earnings and expenses. The amount of funds raised by the capital markets with stock prices as high as they were until the end of last year was also a big factor. Whereas in 1985 Mitsui Toatsu Chemicals, Inc. had a rate of net capital of 8.1 percent, in 1988 it first began raising funds using high stock prices giving it an increase of 23 percent, so the changes for the materials manufacturers is remarkable. In 1988 the manufacturing industry's financial earnings and expenditures had a surplus for the first time, and they are now expected to have a more than eight-fold increase in two years. Their amount of dependence upon borrowed funds is consistently dropping and their resistance to rises in, and high levels of interest is getting stronger."

[NIHON KEIZAI SHIMBUN] During economic expansion the gap between certain industrial sectors seems to be widening.

[Tamao] "One of the characteristics of the economy during this fiscal year is that whereas such processing industries as electric power and automobiles will continue with increased profits in double digits of 11 percent, the materials industries are expected to have a loss of 4.8 percent. In the processing industries, higher added-value which accompanies technological revolutions and the development of global stock management techniques lessen the influence of stock cycles, and this time stock regulation is being completed. This has led to production increases. On the other hand, the materials industries' stock continues to increase, and the possibility that stock regulation may slip into the last quarter is strong, and this appears to have an influence on earnings."

Temporary Stoppage of Loan Flotations Has Little Effect

[NIHON KEIZAI SHIMBUN] For nearly three months beginning in April loan flotations were stopped as well as and increases in capital. Did that have much impact on equipment investment?

[Tamao] "For the manufacturing industry we see this year's equipment investment continuing at a high level of a 13.8 percent increase after the 21.7 increase of last year. Typifying that trend is Nissan Motors which is planning an increase in investment of close to 50 percent with the construction of its new plant. But the equipment investment of the manufacturing industry as a whole appears to be leveling off at about 90 percent of cash flow (net capital) when we include profits from tax deductions for depreciation costs. Consequently, even if investment is carried out as planned, it will not be influenced by a worsening of the financial situation. So even if one adopts a waiting policy on money raised on the capital market, there will not be a significant effect.

"I also do not think that investment in R&D with the aim of developing new products and diversifying into new fields will experience a decline. All of the big five electronic corporations, Hitachi Ltd., Toshiba, Mitsubishi Electric, Nippon Electric and Fujitsu plan to increase R&D expenditures by 10 percent or 2.87 trillion yen. It is believed that the manufacturing industry as a whole will maintain its high ratio of R&D to sales expenditures of 6.1 percent, which is on a par with last year. We will continue to have a strong economy, and the ratio of gross sales against current profit will exceed 5.6 percent."

Space Panel Plans Lunar Probe, Possible Base

OW2908230690 Tokyo THE DAILY YOMIURI in English 28 Aug 90 p 2—FOR OFFICIAL USE ONLY

[Text] The Space Activities Commission plans to oversee a moon probe and research the possible construction of a lunar base in fiscal 1991, the Science and Technology Agency revealed Sunday. As part of its fiscal 1991 program, the commission, led by Tomoji Oshima, the agency's director-general, will direct the Education Ministry's Institute of Space and Astronautical Science in preparing for the 1996 launching of the "LUNAR-A" satellite.

From its moon orbit, the satellite will send observatory equipment, including a seismometer, to the Moon. The seismometer, said to be 10 times as sensitive as the one used by the United States in its Apollo program, will be embedded one to three meters under the surface of the moon. Data from the seismometer and other equipment will be sent back to the satellite and then transmitted back to earth.

The commission's plans also include projects by the Science and Technology Agency and the National Space Development Agency of Japan. The two agencies will be asked to begin working out plans and developing the necessary technology to study the moon's natural resources, construct a lunar base and send a spaceship to the moon. The commission's project proposals will be made formal on Aug. 30 and a request for funds from the fiscal 1991 budget will follow.

The Science and Technology Agency and the National Space Development Agency of Japan are also considering Japan's contributions to international space exploration. Last year, U.S. President George Bush proposed building a lunar base and sending a probe to Mars and is likely to ask for Japan's cooperation in implementing the projects.

The Apollo program and the Soviet Union's Luna program in the 1960s and 1970s provided a variety of data on the moon, but there are still many unknowns, according to the Science and Technology Agency.

Official Presents Credentials to UN Deputy Head

OW1808132090 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 1134 GMT 18 Aug 90—FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar, 17 Aug (OANA-MONTSAME)—Damdiny Baljinnyam, permanent representative of the MPR [Mongolian People's Republic] at the UN section and other international organizations in Geneva, has recently presented the matter of credentials to Jan Martenson, deputy UN general secretary and director general of the UN section in Geneva.

ICAO Official Interviewed on Civil Aviation Aid

OW1308090690 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 0735 GMT 13 Aug 90—FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar, August 11 (OANA-MONTSAME)— Mongolia can become an important centre of international air routes, says Malkom Huud [name as received], representative of the International Civil Aviation Organization (ICAO), in his interview with a MONTSAME correspondent. He is visiting the Mongolian capital at the invitation of the Mongolian Civil Aviation Company "Miat".

The ICAO Secretariat strives to develop relations with Mongolia, our new member, who joined us in 1989 and use all possible ways for it. On the basis of consultations with the UNDP [United Nations Development Program] we are planning to study the possibilities of granting to Miat additional means and aid, M. Huud said. According to him, in order to reach the world level of development, Miat has to have planes of new class and have a well-equipped foundation of technical service and highly skilled personnel.

Interview With U.S. Businessman Published

OW2808203990 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 0637 GMT 28 Aug 90—FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar, 28 Aug (OANA-MONTSAME)—The ruling party paper "UNEN" published an interview of its correspondent with an American businessman of Kalmyk origin J. Burhinov. He is the director of the U.S. Consultative Marketing Agency.

In his interview J. Burhinov, a Kalmyk by origin—one of Mongol-speaking ethnic groups, has been long feeling a craving for the land of his ancestors and dreamt to render a weighty help in the development of Mongolia.

During his first visit in 1988 J. Burhinov studied the possibility of cooperation between Mongolian and foreign firms and organizations in the sphere of developing non-traditional sources of energy. The aim of his second visit is to study the possibilities of the delivery of U.S technology to Mongolia and training of Mongolian experts in the United States. This U.S. businessman said that he had agreed with appropriate U.S. organizations on training of three Mongolian students at U.S. higher educational establishments. He himself would be responsible for all expenditures related to their education.

J. Burhinov believes that one of the most important results of his current visit to Mongolia was to establish the contact with the "Mongol Golomt" (Mongolian hearth) Society which aim is to promote the development of ties among the peoples of a Mongolian origin, living in different countries throughout the world. The renewal of relations to economy and labour and development of personal initiatives are the main guarantee of a success of radical changes, said J. Burhinov in conclusion.

Chinese Women's Delegation Departs for Home

OW2808203690 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 0647 GMT 28 Aug 90—FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar, 28 Aug (OANA-MONTSAME)—A delegation of the All-Chinese Federation of Women, led by Ling Liyun, left today for home after having paid a visit to Mongolia at the invitation of the Central Council of the Union of Mongolian Women "UMW".

The delegation of Chinese women was received at the Central Council of the Union of Mongolian Women and the Central Council of the Mongolian Trade Unions. The Chinese guests visited Omnogobi Province, the town of Darhan. The delegation also visited the International Young Pioneers' camp near the capital, the textile factory No. 2, the Fine Art Museum, the State Central Museum and the Museum of Bogd-khan. They went on sightseeing.

Soviet Envoy Holds Meeting With New Leaders

OW0109132390 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 1137 GMT 1 Sep 90—FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar, August 31 (OANA-MONTSAME)—V.I. Sitnikov, ambassador of the USSR to the MPR [Mongolian People's Republic], had a meeting with the leaders of the new political parties of Mongolia at the Soviet Embassy.

Present were E. Batuul and S. Dzorig, leaders of the Mongolian Democratic Party (MDP) and the Mongolian Democratic Association (MDA), B. Batbayar and S. Gonchigdorj, leaders of the Mongolian Social-Democratic Party (SDP) and the Social-Democratic Movement (SDM), D. Ganbold, leader of the Party of National Progress (PNP) H. Maam, leader of the Party of Free Labour (PFL), D. Baasandorj, leader of the Green Party (GP) and L. Bold, leader of the Union of Mongolian Students (UMS).

The main subjects under discussion were Mongol-Soviet cooperation in light of new conditions in the two countries and the ways of enhancing its efficiency. The

ambassador said that in accordance with the accords reached between the two governments the work has already started to revise and reconsider all agreements in all spheres signed between the two countries since 1921, which today account for about 600. This work is expected to wound up [as received] in the first half of 1991.

We worked together and created together during the past historical stages. We should perfect and enhance the efficiency of our cooperation in conditions of the forthcoming market economy that is in conditions of new economic realities. He addressed the leaders of new political parties and movements of Mongolia with an appeal of best mutual understanding and cooperation.

The ambassador and Soviet Embassy staff answered the questions that interested the leaders of the political parties and movements.

E. Batuul, leader of the MDP pointed out that it was high time to accept the notion of traditional friendship between the peoples of our two countries in its first-born genuine meaning of this notion freeing it from the "ideological and other loads." The leaders of the new political parties spoke in favour of developing cooperation between the MPR and the USSR on a mutually-beneficial basis.

Article on Mongol Studies in Japan Published

OW1808132390 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 1134 GMT 18 Aug 90—FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar, 17 Aug (OANA-MONTSAME)—The Mongolian youth paper "MONGOLYN DZALUUUCHUUD" publishes today an article by Dr. S. Lubsanbandan (Phil. Sc.), about the development of the Mongol study in Japan. He notes that Japan has become one of the largest world centres of the Mongol study with its own school.

The majority of Japanese scholars-Mongolists, writes S. Lubsanbandan, have started their researches from the study of original sources of the history of the Mongolian civilization, in particular, from the "Secret History of the Mongols." Japanese scholar Naka Mitie translated this epic literature even in 1907 and published it with detailed commentaries. He also the author of the book "Short Notes About Genghis Khan." Later in 1940 the "Secret History" was published again in Japan by scholar Kobayasi Tokashiro.

S. Lubsanbandan qualifies the 1930s as the period of classical works about the "Secret History of the Mongols," when the works by scholars-Mongolists of the world, including the scientific transcription of the "Secret History" by Kobayasi Tokashiri, were published in many countries. Kobayasi Tokashiri's student is the prominent Japanese scholar-Mongolist S. Ozawa, who is now the chairman of the International Association of Mongol Study (IAM). Among outstanding Japanese Mongolists are Professor H. Okada, H. Hasumi, M. Onuci and many others. So, M. Onuki with his students is carrying out comprehensive socio-economic and historical researches of Mongolia's agriculture and takes part in the realization of the joint Mongol-Japanese "Gobi" project.

Japanese universities and other higher educational establishments were able to provide an excellent training of specialists of high class in different branches. On such a good fruitful ground is developing the Mongol study in Japan, S. Lubsanbandan writes.

ROK Group of Officials, Businessmen End Visit

OW2808204190 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 0642 GMT 28 Aug 90—FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar, 28 Aug (OANA-MONTSAME)—A delegation of South Korean officials and businessmen, led by Yun Ok-sop, ambassador at large of the Ministry of Foreign Affairs of South Korea, wounded up its visit to Mongolia. The delegation members are representatives of the Ministry of Economic Planning of South Korea, the Council of International Trade and Economy and a number of the South Korean biggest companies such as "Taewoo", "Hende", "Samsung" etc.

The delegation was received by N. Babuu, MPR [Mongolian People's Republic] minister of trade and cooperation and G. Dashdabaa, deputy foreign minister. The South Korean guests also had meetings with the representatives of foreign trade organizations, ministries and departments, as well as foreign trade associations and cooperatives of Mongolia and exchanged views on the possibilities of cooperation in the spheres of trade, economy, science and technology.

The sides held as well a joint meeting where they informed each other of the issues of economic and foreign trade cooperation . They exchanged views on draft agreements on economic, scientific and technological cooperation and protection of investments, which are to be signed between the two countries. A memorandum on mutual understanding on the questions of economic cooperation between the two countries was also signed. The document reflects such issues as the setting up of a joint economic committee with the aim of promoting economic cooperation between the two countries, an exchange of delegations, information and holding of seminars.

Reelections Held, Outcomes To Be Known 'Soon'

OW2808203790 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 0634 GMT 28 Aug 90—FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar, 28 Aug (OANA-MONTSAME)—Reelections were held at 34 rpt 34 out of 430 rpt 430 election constituencies of the general elections that took

place on 29 July 1990 throughout Mongolia. The territorial (central) election commission has decided to hold reelections after summing up the outcomes of the July elections.

Reelections were to be held at that [as received] constituencies where two nominees to the deputy failed to gain necessary votes according to the election law of the electors did not want to vote for them. Reelections to provincial and town hurals were held at 150 rpt 150 constituencies and to the hurals of town and provincial districts at more than 300 rpt 300 constituencies. Preliminary outcomes of reelections will be known soon.

P. Ochirbat Discusses Hural Assembly Agenda

OW0109124190 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 1131 GMT 1 Sep 90—FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar, August 31 (OANA-MONTSAME)—The first assembly of the MPR [Mongolian People's Republic] People's Great Hural (PGH) of the 12th convocation, which is to be held on 3 September 1990 in the Mongolian capital, will mainly discuss organizational issues. The new composition of the supreme body of the people's power—the People's Great Hural—is remarkable that it was elected not "on the instruction from the top" as was used earlier, but in the conditions of the multi-party system on the basis of broader democracy. The current PGH consists of the deputies elected by the voters themselves as they wanted, Punsalmaagiyn Ochirbat, chairman of the MPR People's Great Hural, said in his interview with the correspondent of "TSAG UE", the magazine of the Mongolian press agency "MONGOLPRESS".

Proceeding from this, the first assembly of the People's Great Hural will, undoubtedly, be held in the conditions of new thinking and pluralism. Its main peculiarity and importance is in forming a new political system and the systems of supreme bodies of state power. The deputies will elect the president , vice-president of the country and the state Baga (little) Hural, appoint the head of the MPR Government, chairman of the People's Control Committee and the procurator-general of the MPR. They will also elect the chairman of the Supreme Court of the MPR. Permanent commissions of the MPR People's Great Hural will be also set up at this assembly P. Ochirbat said.

There is no doubt, that the participants in the session will form a new system of supreme bodies of state power and discuss in a well-substantiated and businesslike manner the urgent problems and make decisions meeting the vital interests of the country thus leaning upon the centuries' old historical traditions of the Mongolian statehood as well as on advanced world experience. According to P. Ochirbat it is imperative, above all, to approve the laws aimed at consolidating the new socio-political system, the transition to the market economy with state regulation, realizing the out-door economic system and raising the living standards of the Mongolian people.

Concerning the question of forming the new composition of the government, P. Ochirbat pointed out that the procedure of forming the government is clearly explained in the amendments to the MPR Constitution. He thinks that the representatives of any party or non-party person can be included into the government composition. Answering the question concerning the election of the country's president, P. Ochirbat underscored that two or more persons can be nominated to the post of president in accordance with the law on amendments to the MPR Constitution. Each of 430 deputies of the MPR People's Great Hural has the right to be nominated to this post. If I am elected as the president of the country then I shall devote all my efforts and knowledge to the development and progress of my motherland, for the good of my people, P. Ochirbat said.

Official Describes Education Reform Goals

OW2307013190 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 1250 GMT 21 July 90—FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar, 20 July (OANA-MONTSAME)—"One of the urgent demands the current stage of restructuring in Mongolia is a radical reform of the whole system of public education," B. Enhtubshiyn [name as received], MPR [Mongolian People's Republic] deputy minister for public education, said in an interview with a MONTSAME correspondent. "Without it, it is impossible to solve the complicated tasks facing Mongolian society as the fate of any reform depends first of all, on the level of a person's education and culture," he noted.

B. Enhtubshiyn attributed the broad public interest towards the recently published draft "Conception of the Development of Public Education in the MPR" to the deep changes which the "Conception" envisages to implement, first of all, in the sphere of professional training covering both vocational and higher education.

One of the innovations proposed in it is the introduction of paid training at some colleges and higher educational establishments. This new and rather strange idea (education is free of charge in the MPR) is already materializing, B. Enhtubshiyn said. Thus, beginning this year, educational institutions in Ulaanbaatar enrolled on the basis of this principle, a number of applicants who got high marks at entrance examinations but failed to fit into the enrollment quota fixed by the planning bodies.

In accordance with the "Conception," professional training, first of all higher education, is to have three forms: free of charge, paid education, when a student himself pays, and lastly, when a certain organization or enterprise which signs a contract with a student pays for his or her study.

As B. Enhtubshiyn said, a large-scale research had been done concerning the forms and structure of the system of professional training as well as comparative analysis of the experiences of 96 rpt 96 countries in this field. The

final choice favoured the three-form structure of higher education, which is successfully practiced in some countries, for example, Sweden.

Pointing out that in future all three forms will be applied, the MPR deputy minister emphasized that the priority is to be given to the gradual expansion of paid education. The right to free of charge education will be given to the best performing students as well as to gifted ones.

According to B. Enhtubshiyn, the introduction of paid education raises doubts among some people as they regard it as a deviation from the principles of socialism. B. Enhtubshiyn's opinion is that the new method certainly has one but a decisive advantage in the sense that it increases the motivation of both students and educational institutions,in particular, by enhancing their responsibility before each other.

Economists calculated that the training of one student in a junior technical college costs in average 5000 tugrik a year, in higher educational establishments—7000 tugrik. Proceeding from the figures, as well as taking into account its own specific conditions, every educational institution will decide on its own how much to charge. C. Bat-Erdene, official at the professional training department of the Ministry of Public Education, said that an official document adopted recently, allows so far, only higher educational establishments this practice. He also underlined that students who pay for their education, are themselves to look for jobs after graduation. Until now, this was mostly the responsibility of their "alma maters".

Education Minister Discusses 'Perfecting' System

OW0109132690 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 1159 GMT 1 Sep 90—FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar, 31 August (OANA-MONTSAME)—Today's issue of the newspaper "BAGSH" (TEACHER) publishes an interview by N. Urtnasan, minister of public education in connection with a new academic year, which starts tomorrow 1 September.

As the minister said, in the new academic year 92.5 thousand small children will attend kindergartens and 454.8 thousand schoolchildren will attend classes at 654 general educational secondary schools. 58.1 thousand newcomers including 21.2 thousand seven-year olds, will come to school for the first time. 12.9 thousand schoolchildren will be involved in 418 extended-day groups. 19.8 thousand youth will study at 351 secondary educational schools for working people. By the end of this academic year 7.3 thousand young people will finish these schools with complete and incomplete secondary education. 13.2 thousand students will study at higher educational establisnments, 15 thousand students at special secondary educational and 33 thousand young people at vocational training schools.

According to the minister, broad-scale measures are to be taken in the new year to renew the system of public education of the MPR in order to modernize it with an account of tendencies of the world development and national traditions. Democratization of the system of secondary schools will be continued. Educational curriculums are to be changed. Special emphasis is to be laid on the development of individual abilities of students and schoolchildren, the minister pointed out. A paid training is to be introduced into the system of vocational training education. This is one of first steps at perfecting the education system of Mongolia in conditions of the market economy, N. Urtnasan pointed out.

Among other measures aimed at the renewing the public education system the minister qualified the work on selecting lecturers for vocational training and secondary schools on a competition basis, the teaching of foreign languages and introduction of the old Mongolian alphabet into the curriculum of all educational establishments of all stages, the minister concluded.